EXHIBIT A

RetailMeNot inc.

Driving Growth Through the Power of Savings

Engage consumers and influence purchase decisions both online and in stores using strategic promotions, deals and discounts.

RetailMeNot mobile marketing campaigns deliver 4.3x ROI.

LEARN MORE

Harness the Power of More Customers

$4.8B+

Facilitated Global Sales in 2017

$560MM+

Facilitated Revenue Attributed to In-Store Solution

514MM+

Total Site Visits in
Last 12 Months

19MM+

Mobile Unique
Visitors

61%

Site Traffic
From Mobile

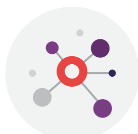
8MM+

Active Email
Subscribers

Reach Customers Anytime, Anywhere

Data and Insights

Leverage RetailMeNot data to anticipate category trends, test offer strength and quality, and deliver higher engagement with your promotions.



Multichannel Reach

Reach customers whenever and wherever they shop—on mobile, desktop, social and more.

Comprehensive Solutions

RetailMeNot recommends promotional and advertising strategies to turn your campaigns into a driver for profitable growth.

WORK WITH US

Join More Than 5,000 Partners Who Are Achieving Success With RetailMeNot

macy's
charlotte russe
ULTA BEAUTY
PEI WEI
hp
EXPRESS
BEST BUY
Ruby Tuesday
Hotels.com
GAP
sears

Featured Resources and Retailer Insights

The Role of Stores in a Mobile World
Watch the Webinar Now!

The Conversion Challenge: Best Practices for Promotions That Drive Sales
Read the e-Book!

The Total Economic Impact of RetailMeNot Mobile Solutions
Read the Report!

VIEW ALL RESOURCES

Drive More Sales Through Savings

Are you ready to leverage the power of data-driven promotions? Our industry experts can help your brand optimize promotions and power new business.

LET'S TALK

Company

Websites

Contact Us

Connect With Us

EXHIBIT B

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2013

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-36005

RETAILMENOT, INC.
(Exact name of registrant as specified in its charter)

Delaware	26-0159761
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

301 Congress Avenue, Suite 700
Austin, Texas 78701
(512) 777-2970
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Series 1 common stock, par value $0.001 per share	The NASDAQ Global Select Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The registrant was not a public company as of June 30, 2013, the last day of the registrant's most recently completed second fiscal quarter, and therefore cannot calculate the aggregate market value of its common stock held by non-affiliates as of such date.

As of January 31, 2014, 49,691,236 shares of the registrant's Series 1 Common Stock and 3,053,748 shares of the Registrant's Series 2 common stock were outstanding.

Documents incorporated by reference:

The information required by Part III of this Report, to the extent not set forth herein, is incorporated herein by reference from the Proxy Statement relating to our 2013 annual meeting of shareholders, which shall be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Report relates.

TABLE OF CONTENTS

PART 1

Forward Looking Statements

Except for the historical financial information contained herein, the matters discussed in this report on Form 10-K (as well as documents incorporated herein by reference) may be considered "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements include declarations regarding the intent, belief or current expectations of RetailMeNot, Inc. and its management and may be signified by the words "believe," "could," "estimate," "expect," "intend," "anticipate," "plan," "project," "will" or similar language. You are cautioned that any such forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties. Actual results could differ materially from those indicated by such forward-looking statements. Factors that could cause or contribute to such differences include those discussed under Part 1, Item 1A: "Risk Factors" and elsewhere in this report. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 1. Business.

Company Overview

We operate the world's largest digital coupon marketplace, connecting consumers with leading retailers and brands. In the year ended December 31, 2013, our marketplace featured digital coupons from over 70,000 retailers and brands, and according to our internal data compiled using Google Analytics, we had more than 550 million total visits to our desktop and mobile websites. As of December 31, 2013, we had contracts with more than 10,000 paid retailers. We own and operate the largest digital coupon marketplaces in the U.S. (RetailMeNot.com) and the U.K. (VoucherCodes.co.uk) and the largest portfolio of digital coupon websites in France (Bons-de-Reduction.com, Poulpeo.com and Ma-Reduc.com).

We are the leading digital coupon destination for consumers. In 2013, our marketplace featured more than 600,000 digital coupons in each month. Digital coupons are coupons, coupon codes and brand or category specific discounts made available online or through mobile applications that are used by consumers to make online or in-store purchases directly from retailers, excluding grocery retailers. Our websites, mobile applications, email newsletters and alerts and social media presence enable consumers to search for, discover and redeem hundreds of thousands of relevant digital coupons from retailers and brands. Our marketplace features digital coupons across multiple product categories, including clothing; electronics; health and beauty; home and office; travel, food and entertainment; personal and business services; and shoes. We believe our investments in digital coupon content quality, product innovation and direct retailer relationships allow us to offer a compelling experience to consumers looking to save money, whether online or in-store.

We believe we are a trusted partner to retailers and brands. We provide our retailers and brands access to a large and engaged consumer audience. We help retailers and brands drive sales and acquire new customers, online through our websites and mobile applications and in-store by displaying a digital coupon on our mobile applications. In addition, our pay-for-performance model enables us to have a mutually beneficial relationship with our paid retailers, as they pay a commission to us only after a sale is made.

We believe our marketplace benefits from network effects. As more consumers use our marketplace, we are better able to obtain high quality digital coupons from retailers and brands, which in turn attracts a larger consumer audience. We seek to reinforce our position as the leading digital coupon destination by continuing to increase consumer traffic and growing the breadth and depth of our digital coupons, as well as our retailer and brand relationships.

Our Industry

The retail industry is large, and e-commerce and mobile commerce are growing rapidly. The Internet and mobile devices have become an integral part of the consumer purchase decision process online and in-store. The rise of mobile-optimized websites and mobile coupon applications has enabled consumers to use digital coupons for purchases through their mobile devices or for in-store redemption at checkout. We believe that the adoption of location-based technologies will further contribute to this growth. Retailers and brands are recognizing the need to expand their online and mobile advertising initiatives. We believe many retailers are re-allocating their budgets to the channels in which consumers are spending more of their time before making purchase decisions.

Retailers are focused on the return on investment, or ROI, of their marketing spend and are adopting solutions, like digital coupons, that allow them to measure and optimize the impact of their promotional campaigns. We believe that the direct response nature of digital coupons, which allow for better consumer segmentation, targeting, tracking of redemptions and automated attribution to specific promotional campaign spend better facilitate retailers' ability to measure the ROI compared to more traditional advertising channels.

In addition, the speed and adaptability of the online model for digital coupons allows retailers to reach consumers whenever and wherever they are shopping. Further, retailers are able to post digital coupons quickly, edit and iterate on-the-go and modify the scale of campaigns dynamically based on consumer interest and marketing budgets. This compares favorably to traditional print couponing, which requires longer lead times and is a more manual and expensive process due to the additional overhead associated with printing and distributing physical coupons.

Industry Challenges

Within this large addressable market, consumers and retailers face various challenges that represent barriers to increased retail commerce activity, online and in-store.

Challenges for Consumers

- ***Difficult to find relevant digital coupons.*** Digital coupons are most valuable to consumers when they relate to products and brands that consumers want. Consumers face a fragmented landscape as digital coupons are available in many different formats across a large number of distribution channels. Traditional coupons are available in newspapers, magazines and direct mail, while digital coupons are available on the websites of retailers and brands, digital coupon websites, in emails or embedded as advertising. Many digital coupon websites and other distribution channels lack the breadth and depth to offer a relevant digital coupon when a consumer wants it. In addition, few digital coupon websites have the retail relationships and resources to build a comprehensive offering of digital coupons for consumers. Consumers often have to resort to visiting multiple websites to check if a relevant digital coupon from their preferred retailer is available.
- ***Unreliable digital coupons.*** Many digital coupon websites provide unreliable digital coupons that may be declined by retailers, causing consumer frustration and disappointment. These websites lack the infrastructure and technology to review and validate digital coupons that appear on their website, resulting in digital coupons that can expire without notice or are invalid.
- ***Inconvenience associated with traditional coupons.*** Traditional coupons distributed via fragmented offline media such as newspapers and circulars are hard to discover, search and organize, and carry expiration dates that are difficult to track. They are often not easily available on-demand when a consumer is shopping and can rarely be redeemed across multiple channels, such as online and in-store.

Challenges for Retailers

- ***Difficulty reaching consumers at scale.*** The increasing amount of digital content and the proliferation of mobile devices creates significant audience fragmentation. This fragmentation makes it difficult for retailers and brands to reach their target audience at scale and at a time when their purchase behavior can be influenced.

- ***Difficulty engaging consumers across channels.*** With a shift of consumer engagement towards online, mobile and social channels, retailers need an integrated multichannel solution to optimize their promotional efforts. Creating consistent and integrated consumer engagement across their online, mobile and offline retail presence can represent a challenge for many retailers. Additionally, if consumers have a poor experience with a coupon it may negatively impact consumers' image of the brand.
- ***Ineffective and difficult to measure marketing solutions.*** Retailers are looking to maximize the returns on their promotional campaigns. Many traditional marketing options do not allow retailers to effectively measure the ROI of their marketing spend or collect behavioral consumer data to optimize their campaigns. Therefore, retailers seek a solution that can provide pay-for-performance and transparency into the effectiveness of their promotional campaigns.

Our Solution

We operate the world's largest digital coupon marketplace, connecting consumers with leading retailers and brands. Consumers are able to visit a trusted destination that allows them to search for, discover and redeem digital coupons from leading retailers, online or in-store. We aggregate digital coupons from retailers, performance marketing networks, our large user community, our employees and outsourced providers. Retailers are able to drive sales and acquire new customers by effectively attracting and engaging a large audience of consumers who are shopping across multiple channels. Our solution enables retailers to better manage their customer acquisition spend and effectively measure their marketing ROI.

Solutions for Consumers

In 2013, we provided consumers with digital coupons that were redeemed in more than 32.0 million purchase transactions. Key elements of our solution for consumers include:

- ***Save money with a broad selection of coupons*****:** Our breadth and depth of digital coupon inventory enables consumers to save money on their everyday purchases. We aggregate digital coupons available from retailers, performance marketing networks and our large user community. In 2013, more than two-thirds of the digital coupons featured in our marketplace were submitted by users or sourced internally by us. The remainder of the digital coupons featured in our marketplace were provided through performance marketing networks. In 2013, we featured more than 600,000 digital coupons in each month from retailers and brands across multiple product categories including clothing; electronics; health and beauty; home and office; travel, food and entertainment; personal and business services; and shoes.
- ***Depth of coupon selection from leading retailers within each category*****:** In 2013, our websites featured digital coupons from over 70,000 retailers and brands. In 2013, we offered thousands of digital coupons per category. Our strong relationships with leading retailers allow us to offer digital coupons exclusive to our marketplace.
- ***Reliability and curation of digital coupon content:*** Our merchandizing team actively monitors our most frequently visited digital coupon content in our marketplace to ensure content quality and curates such digital coupon content by updating and changing the display and description of digital coupons. Additionally, we leverage feedback from our large user community and our proprietary algorithms to measure performance and relevancy of our digital coupons. These efforts are designed to ensure that the best quality digital coupons rise to the top of our pages, while lower quality or expired digital coupons are displayed lower on our pages and are eventually filtered out of our content. Our merchandising team monitors the comments submitted by consumers for additional feedback on digital coupons, such as whether or not the description of the digital coupon contains an error, and updates our digital coupon content accordingly. Our focus on digital coupon quality and curation is intended to provide a high-quality experience for consumers.

- ***Relevance and personalization:*** By having a selection of digital coupons from thousands of large and small retailers, we can present more comprehensive and relevant content for our large and engaged user community. Consumers can sign up for alerts for digital coupons for specific retailers they have a personal affinity for that come from us via email or submit their brand "likes" and otherwise engage with us on Facebook. We then maintain and use this information to keep our users informed via email or Facebook whenever a digital coupon from their preferred retailer becomes available through our marketplace.

- ***Anytime, anywhere availability, online and in-store:*** Consumers can search for and discover our digital coupons at virtually any time via our websites, mobile applications, email newsletters and alerts or social media presence, whether on their desktop devices, mobile phone or tablet. Our mobile applications provide access to the select online and in-store digital coupons found in our marketplace, allowing consumers to search and discover the digital coupons they need and use them to shop whenever and wherever they want. Consumers can also share our digital coupons socially via Facebook, Google+, Twitter, Pinterest, email or text message, or save or print them for later use. In addition, by utilizing location-based technology, the RetailMeNot mobile application notifies our consumers of savings opportunities when they are shopping near one of more than 6,000 geo-fenced shopping malls and centers by sending alerts for digital coupons that can be used in these malls.

Solutions for Retailers

We believe we are a trusted partner to retailers and brands. We provide our retailers and brands access to a large and engaged consumer audience during their shopping experience. Key elements of our solution for retailers include:

- ***Access to large consumer audience:*** We provide retailers access to the largest marketplace dedicated to digital coupons, offering a large and engaged audience of consumers with intent to purchase. The scale of our platform increases our ability to drive conversion by rapidly disseminating and promoting digital coupons to an engaged consumer audience at scale.

- ***Multichannel engagement with consumers:*** Our websites and mobile applications offer retailers access to consumers who are shopping online and in-store. In 2013, we had over 550 million visits to our websites. We have had more than 13.7 million mobile application downloads and have more than 17.0 million email subscribers. Our in-store solutions help retailers drive more in-store traffic and sales by increasing consumer awareness of discounts and promotions available to them. Other outlets, such as our social media channels, including our Facebook Page and Twitter feeds, provide two-way engagement with consumers.

- ***Trusted partnerships and strategic dialogues:*** We maintain ongoing strategic dialogues and develop long-term relationships with our paid retailers. Our sales and partner management teams work closely with the marketing teams of our paid retailers to optimize the performance of their digital coupons. We proactively work with our paid retailers to curate their digital coupons to drive sales and build consumer trust. We believe our marketplace provides a consistent, high-quality user experience, which reflects positively on the brand image of our paid retailers.

- ***Measurable ROI and pay-for-performance:*** We believe retailers focus on channels with clearly quantifiable return on investment and pay-for-performance transactional models. Our paid retailers pay a commission to us only after a consumer has made a purchase. Retailers are also able to track the performance of their digital coupons in order to monitor and control key aspects of their campaign. Our quantifiable, pay-for-performance model allows retailers to effectively measure ROI while acquiring new customers, increasing sales and driving brand loyalty.

Our Competitive Strengths

We operate the world's largest digital coupon marketplace, connecting consumers with leading retailers and brands. Our competitive strengths include:

- ***Global leader with strong scale and brands:*** We believe our strong brand recognition has allowed our marketplace to become a leading destination for consumers looking to save money on retail purchases. As a result, over 90% of traffic to our websites was generated from unpaid sources in 2013. In addition to RetailMeNot.com, our international brand portfolio includes VoucherCodes.co.uk in the U.K., Bons-de-Reduction.com, Poulpeo.com and Ma-Reduc.com in France, Actiepagina.nl in the Netherlands, Deals.com in Germany and RetailMeNot.ca in Canada.
- ***Trusted partner to leading retailers:*** In 2013, we maintained relationships with more than 10,000 paid retailers. We help retailers drive sales and acquire new customers through our multichannel marketplace. We also help our paid retailers optimize their digital coupon campaigns to provide a consistent, high-quality user experience, which we believe reflects positively on the brand image of these retailers. As evidence of our successful partnerships with retailers, we have been able to grow over time the number of exclusive digital coupons we offer to consumers. These exclusive digital coupons often involve more compelling offers, and therefore drive heightened consumer interest and help portray our marketplace as the leading destination for digital coupons. Our pay-for-performance model enables us to have a mutually beneficial relationship with our paid retailers, as they pay a commission to us only after a sale is made. This model also allows our paid retailers to effectively measure marketing ROI.
- ***Network effects:*** As more consumers use our websites and mobile applications, we attract more retailers and brands to our platform looking for a large audience to drive sales. As the number of retailers and brands in our marketplace increases, we are able to offer more digital coupons to consumers, which in turn attracts a larger consumer audience. As our consumer audience grows, retailers and brands are more willing to enter into paid relationships with us and provide us with exclusive digital coupons to attract our audience of consumers.
- ***Large community of actively engaged users:*** We foster and support a passionate user community that contributes to our websites by submitting digital coupons and helps curate the content on our websites. We leverage our community's passion for savings and their participation in curating the content that we provide to deliver compelling and relevant coupon selection to our broad consumer audience. This occurs through community moderation of digital coupons with the ability to filter and rank coupons on our websites that consumers find the most compelling and relevant. We believe that this engagement by our consumers increases the quality of our content, while lowering our costs to curate and moderate that content ourselves.
- ***Strong technology platform and proprietary data:*** Our technology platform is designed to provide the reliability and security necessary to support a large and growing base of consumers, retailers and brands in our marketplace. As engagement in our marketplace increases, we are able to collect more proprietary data on consumer shopping behavior, which allows us to further develop and improve our marketplace to better serve consumers and offer more value to our paid retailers. This data is difficult to replicate and enables us to offer retailers insight into their digital coupon performance. Additionally, our technology serves as a basis to design and support innovative solutions and to further automate and standardize our processes.

Our Growth Strategy

Our objective is to expand our position as the largest digital coupon marketplace, connecting consumers and leading retailers and brands. Our strategies to achieve this goal include:

Increase traffic and monetization. To drive increased consumer traffic and net revenues, we intend to continue to invest in marketing to increase brand awareness. We deploy targeted and measured email newsletters and alerts, social media presence, and select display advertising, as well as other offline media efforts to increase

the frequency of visits to our properties. Given our scale, we also benefit from our network effects to increase traffic and conversion as more digital coupons drive more consumer traffic and retail commerce activity, which in turn attracts more digital coupons to our marketplace. We also intend to obtain more exclusive digital coupons to attract more consumers.

Grow depth of paid relationships with retailers. We continue to dedicate significant resources to our experienced sales and partner management teams in order to deepen our relationships with existing paid retailers and attract new paid retailers worldwide. We believe that this value proposition will help us grow our share of marketing promotional spending among our large retailer base and attract new paid retailers to our marketplace. We also aim to further strengthen our value proposition for retailers by expanding our retailer solutions, including sponsored category listings and advertising opportunities.

Enhance mobile solutions and in-store enablement. We intend to further develop our mobile optimized websites and invest in our mobile technology for smartphones and tablets, including geo-fencing capabilities, in order to increase consumer use and monetization of our solutions from mobile devices. We believe that this technology will allow us to introduce new solutions and grow the number of consumers and retailers using our mobile solutions.

Invest in technology and innovation. Innovation is a key element of our strategy, and we will continue to make significant investments in research and development to further improve our user interface, solution and platform integration, features and functionality, as well as our online and mobile technologies. Our product innovation initiatives are designed to minimize friction in consumers' shopping experience with digital coupons from start to finish. Our key technology investment strategies include: further integrating our online and mobile product offerings; developing personalization tools to further tailor digital coupons on our websites and applications; and leveraging data and analytics to enhance our understanding of consumer behavior and help retailers measure the effectiveness of their marketing spend, across online, mobile and in-store channels. We also intend to increase the efficiency and scalability of our international operations through standardization of certain components of our technology.

Expand internationally. We have successfully leveraged our established business model to expand into attractive new geographies, including the U.K., France, Germany, the Netherlands and Canada. We intend to further grow our international presence in these markets and continue our geographic expansion efforts in markets with attractive commerce profiles and trends.

Pursue strategic acquisitions. Since 2009, we have completed more than 10 acquisitions. We intend to continue pursuing expansion opportunities in existing and new markets, as well as in core and adjacent categories through strategic acquisitions.

Our Products and Services

We offer products and services to create our marketplace, where consumers save money and retailers generate sales.

Products and Services for Consumers

Our product development approach is centered on building products that enable consumers to discover quality digital coupons, virtually anytime and anywhere, and redeem them online or in-store. Our products and services for consumers are free of charge and available through our websites and mobile applications.

Websites. As the largest digital coupon marketplace, we offer our consumers hundreds of thousands of digital coupons from tens of thousands of retailers and brands across multiple product categories. Consumers visiting our marketplace search for and discover digital coupons based on retailer name, product, category, digital

coupon type, popularity, success rate and other characteristics. Once a consumer discovers a relevant digital coupon, the consumer clicks on that digital coupon and is directed to the website of the respective retailer, where the consumer is able to purchase products and redeem the digital coupon.

Mobile Applications. Our mobile applications allow consumers to shop when they want, where they want. Consumers use our mobile applications to discover, store for use later and access the digital coupons they want and to redeem them both online and in-store. They can browse top digital coupons, popular stores and product category listings. Our mobile applications also allow users to share digital coupons with others via email, text message or through social media channels. In addition, utilizing location-based technology, the RetailMeNot mobile application notifies consumers of savings opportunities when they are shopping near shopping malls and centers by sending consumers alerts for digital coupons that can be used in these malls. Consumers can redeem these digital coupons by simply scanning the barcode at the retailer's register or by having the sales associate enter the promotional code shown on the consumer's mobile screen into their point-of-sale system.

Email Newsletters and Alerts. Consumers can subscribe to receive our periodic email newsletter and alerts. Our email newsletter allows consumers to stay informed about featured digital coupons, while our alerts notify consumers when digital coupons from their preferred retailers become available.

- Email newsletters: Our newsletters are generally sent two to three times a week and typically include our top 20 digital coupons for the week, a digital coupon for a featured retailer or a weekly feature of top in-store digital coupons.
- Alerts: Our alerts provide consumers with new digital coupons for their favorite retailers, as they become available.

Social Media. Consumers can engage with us on social media channels, such as Facebook, Google+, Pinterest and Twitter, to receive promotional messages from retailers and brands. We maintain an active social media presence by tweeting savings opportunities each day and recommending digital coupons to consumers through our Facebook application based on consumers' brand likes. In addition, we engage consumers through social and gamification features in the "Community" section of RetailMeNot.com, including the ability to earn points, track dollars users have helped others save, view rankings, earn badges and win prizes.

Products and Services for Retailers

We provide our retailers with access to a large and engaged consumer audience.

Multichannel Access to Consumers. We provide retailers and brands with access to new customers through multiple channels online on our websites and mobile applications, by email newsletters and alerts and our social media presence, and in-store by displaying a digital coupon on a mobile device or presenting a printed coupon. We allow retailers to provide consistent digital coupons across these multiple channels.

Advertising. We provide our paid retailers with a variety of premium paid placement opportunities to increase the impact of their digital coupon campaigns. Our most common premium placement opportunities include prominent placement within the top coupon carousel of our homepage, the side rail of our category pages, our weekly email newsletter, solo retailer newsletter campaigns and on the landing screen of our mobile applications. We typically charge a flat fee for these enhanced advertising tools on a campaign basis for a given period of time. Advertising rates may vary depending upon seasonality, placement, traffic and the length of time a retailer runs an advertisement through our marketplace.

Our Websites and Brands

We operate a portfolio of digital coupon websites that span multiple geographic locations and languages. We acquired the majority of the websites we operate today and have typically maintained the brand name we

acquired in each local market given the brand awareness of each website created prior to our acquisition. Each of these websites provides the same core set of solutions: consumers use these websites at no charge to search for and discover digital coupons they can redeem online or in-store with leading retailers and brands.

We use the RetailMeNot brand in the U.S., including RetailMeNot.com, our mobile optimized website and the RetailMeNot mobile applications currently available for free for iPhone and Android, and in Canada, through RetailMeNot.ca. We expect to continue to focus our efforts on building the RetailMeNot brand in the U.S. and Canada.

We acquired the business of VoucherCodes.co.uk. in August 2011, which is our brand in the U.K. The VoucherCodes.co.uk. brand includes the VoucherCodes.co.uk. website and mobile applications currently available for free for iPhone and Android. In May 2012, we re-launched our website Deals.com to serve consumers and retailers in German-speaking markets. Also in May 2012, we acquired the businesses of Bons-de-Reduction.com and Poulpeo.com in France. The Bons-de-Reduction.com brand includes the Bons-de-Reduction.com website and mobile application currently available for free for iPhone. As of March 1, 2013, we established operations in the Netherlands through the acquisition of the business of Actiepagina.nl. In June 2013, we launched our website RetailMeNot.ca to serve English-speaking consumers and retailers in Canada. In July 2013, we expanded our presence in France through the acquisition of the business of Ma-Reduc.com. As a result of this acquisition, we operate the largest portfolio of digital coupon websites in France (Bons-de-Reduction.com, Poulpeo.com and Ma-Reduc.com).

Our primary websites include:

Website	Mobile Applications	Geographic Location	Language	Focus
Retailmenot.com	iPhone & Android	U.S.	English	Online and In-Store Coupons
VoucherCodes.co.uk	iPhone & Android	U.K.	English	Online and In-Store Coupons
Bons-de-Reduction.com	iPhone	France	French	Online and In-Store Coupons
Poulpeo.com	iPhone & Android	France	French	Online Coupons with Cash Back
Ma-Reduc.com	None	France	French	Online Coupons
Actiepagina.nl	None	Netherlands	Dutch	Online Coupons
Deals.com	None	Germany	German	Online Coupons
RetailMeNot.ca	None	Canada	English	Online Coupons

Technology and Infrastructure

Product development and innovation are core pillars of our strategy. Our product team works to regularly deliver innovative products and features in an effort to provide the best possible consumer experience. The responsibilities of our product team span the lifecycle of identifying consumer needs, defining and designing products, testing, developing go-to-market strategies, and measuring the performance of new products and features. The team is focused on enhancing our core solutions, optimizing the user experience for consumers, and building better business results for our retailers. We provide our online and mobile solutions using a combination of in-house and third-party technology solutions and products.

We have developed proprietary systems architecture for use in creating, maintaining and operating our websites. This technology consists of internal development by our staff of designers, developers and engineers and makes use of software acquired or licensed from outside developers and companies. Our systems are designed to serve consumers and our retailers' operations teams in an automated and scalable fashion. While we use a variety of technologies, the majority of our software systems are written in PHP and Java by engineers employed or contracted by us. Our product development expenses were $30.6 million, $14.5 million and $4.4 million in 2013, 2012 and 2011, respectively. Our software is comprised of five major areas:

- public facing websites;
- content quality management systems;

- mobile;
- data management and reporting; and
- infrastructure tools.

Our websites are hosted in the U.S., U.K., France, Germany and the Netherlands using a combination of third-party co-location hosting centers and cloud-based hosting services. Our systems architecture has been designed to manage increases in traffic on our websites through the addition of server and network hardware without making software changes. Our third-party data centers provide our websites and online tools with scalable and redundant Internet connectivity and redundant power and cooling to our hosting environments. We use security methods in an effort to ensure the integrity of our networks and to protect confidential data collected and stored on our servers. For example, we use firewall technology to protect access to our networks and to our servers and databases on which we store confidential data. We have developed and use internal policies and procedures to protect the personal information of our users. We test for unauthorized external access to the network daily using automated services and conduct periodic audits performed by outsourced security consultants.

Competition

The market to attract consumers seeking to save money on purchases online and in-store, and retailers and brands seeking to drive sales and acquire new customers is highly competitive, fragmented and rapidly changing with limited barriers to entry.

Our competition for traffic from consumers seeking to save money on online or in-store purchases includes digital coupon websites and mobile applications, cash back and loyalty websites, retailers, search engines, social networks, comparison shopping websites, newspapers and direct mail campaigns. We believe that our primary competition is from other digital coupon websites, including dealspl.us, bradsdeals, dealnews, savings.com, Tech Bargains and Coupon Cabin. In addition to such competitors, we are experiencing increasing competition from other businesses that offer digital coupons similar to ours as an add-on to their core business. For example, Groupon, Living Social and Coupons.com are now offering digital coupons, and Google and PayPal are now offering digital coupons for in-store purchases. While some of our actual and potential competitors enjoy substantial competitive advantages over us, such as superior name recognition, substantially greater financial, technical and other resources and longer history of competing in relevant geographies, we believe that we compete favorably based on our leadership position in digital coupons, our strong brand awareness, our broad selection and quality of digital coupons from leading retailers and brands, our trusted partnerships with retailers, our network effects and our large community of actively engaged users.

Retailers have a number of marketing options to choose from when deciding how to reach consumers. Our competition for retailer marketing spend includes digital coupon sites that offer a pay-for-performance model, search engines and social networks that compete for online advertising spend and television, magazines and newspapers that compete for offline advertising spend. We believe the principal factors that make us appealing in the competition for retailers' marketing spend include our large and engaged audience of consumers, our multichannel engagement across online, mobile, social and in-store, our trusted marketplace that protects retailers' brands, and our pay-for-performance model that provides retailers measurable ROI, reporting and analytics.

Intellectual Property

Our intellectual property includes the content of our websites, our registered domain names, our registered and unregistered trademarks and our patent applications. We believe that our intellectual property is an important asset of our business and that our RetailMeNot.com, Deal2Buy.com, VoucherCodes.co.uk, Bons-de-Reduction.com, Poulpeo.com, Ma-Reduc.com, Actiepagina.nl, Deals.com, RetailMeNot.ca and other domain names and our technology infrastructure give us a competitive advantage in the digital coupon market. We rely

on a combination of trademark, copyright and trade secret laws in the U.S. and Europe, as well as contractual provisions, to protect our proprietary technology and our brands. We currently have trademarks registered or pending in the U.S., Europe, Australia, Canada, South Korea, Singapore and China for our name and certain words and phrases that we use in our business. We also rely on copyright laws to protect software relating to our websites and our proprietary technologies, although we have not registered for copyright protection to date. We have registered numerous Internet domain names related to our business in order to protect our proprietary interests. As of December 31, 2013, we had two patents issued and 34 patent applications, including three provisional patent applications pending, related to the use and operation of discount websites and related mobile applications as well as the provision and redemption of digital coupons. We also enter into confidentiality agreements with our employees and consultants and seek to control access to and distribution of our proprietary information in a commercially prudent manner. In addition, we license third-party technologies that are incorporated into some elements of our solutions.

The efforts we have taken to protect our intellectual property rights may not be sufficient or effective, and, despite these precautions, it may be possible for other parties to copy or otherwise obtain and use the content of our websites without authorization. We may be unable to prevent competitors from acquiring domain names or trademarks that are similar to, infringe upon or diminish the value of our domain names, trademarks, service marks and our other proprietary rights. Failure to protect our proprietary rights adequately could significantly harm our competitive position and operating results.

Employees

As of December 31, 2013, we had 444 employees. Of these employees, 313 were based in the U.S., 76 were based in the U.K, 41 were based in France, eight were based in Germany and six were based in the Netherlands. We consider our current relationship with our employees to be good. Other than our French employees, none of our employees is represented by a labor union or is a party to a collective bargaining agreement.

Culture

We believe that a critical component of our success has been our corporate culture, which we believe fosters innovation, encourages teamwork, cultivates creativity and promotes a focus on execution. We have nurtured this culture since our inception and maintained an environment designed to promote openness, honesty, responsibility, mutual respect and the pursuit of common goals. We believe our culture gives us a competitive advantage in recruiting talent in the highly competitive fields that are critical to our success.

Segments

We have one operating and reporting segment consisting of various products and services that are all related to our marketplace for digital coupons. For a discussion of revenue, net income and total assets, see Part II, Item 8: “Financial Statements” of this Annual Report on 10-K.

Geographic Information

Financial information about geographic areas is set forth in Note 13 of the Notes to Consolidated Financial Statements under Part II, Item 8: “Financial Statements” of this Annual Report on Form 10-K. For a discussion of the risks attendant to foreign operations, see the information in Part 1, Item 1A: “Risk Factors” under the caption “We are subject to international business uncertainties that could adversely affect our operations and operating results.”

Seasonality

Our operating results fluctuate from quarter to quarter as a result of a variety of factors, including seasonal factors and economic cycles that influence consumer purchasing of retail products. Historically, we have experienced the highest levels of visitors to our websites and net revenues in the fourth quarter of the year, which

coincides with the winter holiday season in the U.S. and Europe. This seasonality may not be fully evident in our historical business performance because of our significant growth and the timing of our acquisitions. For instance, we have entered new markets through international acquisitions and increased the number of paid retailer and performance marketing network relationships. These changes have contributed to the substantial growth in our net revenues and corresponding increases in our operating costs and expenses to support our growth. Our investments have led to uneven quarterly operating results due to increases in personnel costs, product and technology enhancements and the impact of our acquisitions and other strategic projects. The return on these investments is generally achieved in future periods and, as a result, these investments can adversely impact near term results.

Our business is directly affected by the behavior of consumers. Economic conditions and competitive pressures can impact, both positively and negatively, the types of digital coupons featured on our websites and the rates at which they are utilized by consumers. Consequently, the results of any prior quarterly or annual periods should not be relied upon as indications of our future operating performance.

Available Information

Our Internet address is www.retailmenot.com and our investor relations website is located at http://investor.retailmenot.com/. We make available free of charge on our investor relations website under the headings "Financial Information" and "SEC Filings" our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports as soon as reasonably practicable after such materials are electronically filed with (or furnished to) the SEC. Information contained on our websites is not incorporated by reference into this Annual Report on Form 10-K. In addition, the public may read and copy materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site, www.sec.gov, that includes filings of and information about issuers that file electronically with the SEC.

Item 1A. Risk Factors.

Our business, prospects, financial condition or operating results could be materially adversely affected by any of these risks, as well as other risks not currently known to us or that are currently considered immaterial. The trading price of our Series 1 common stock could decline due to any of the risks and uncertainties described below, and you may lose all or part of your investment. In assessing these risks, you should also refer to the other information contained in this Annual Report on Form 10-K, including our consolidated financial statements and related notes.

Risks Related to Our Business

We are an early-stage company with a limited operating history, which makes it difficult to evaluate our current business and future prospects and may increase the risk of your investment.

We began our operations in September 2007 and did not enter the digital coupons industry until late 2009. Our limited operating history may make it difficult to evaluate our current business and our future prospects. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly changing industries, including challenges in accurate financial planning and forecasting. You should consider our business and prospects in light of the risks and difficulties we may encounter as an early-stage company.

If we are unable to continue to attract visitors to our websites from search engines, then consumer traffic to our websites could decrease, which could negatively impact the number of purchases generated for our retailers through our marketplace, and therefore negatively impact our ability to maintain or grow our net revenues and profitability.

We generate consumer traffic to our websites using various methods, including search engine marketing, or SEM, search engine optimization, or SEO, email campaigns and social media referrals. Our net revenues and profitability levels are dependent upon our continued ability to use a combination of these methods to generate consumer traffic to our websites in a cost-efficient manner. We have experienced and continue to experience fluctuations in search result rankings for a number of our websites. There can be no assurances that we will be able to grow or maintain current levels of consumer traffic to our websites.

Our SEM and SEO techniques have been developed to work with existing search algorithms utilized by the major search engines. Major search engines frequently modify their search algorithms. Changes in these algorithms could cause our websites to receive less favorable placements, which could reduce the number of users who visit our websites. We may be unable to modify our SEM and SEO strategies in response to any future search algorithm changes made by the major search engines, which could require a change in the strategy we use to generate consumer traffic to our websites.

In addition, websites must comply with search engine guidelines and policies. These guidelines and policies are complex and may change at any time. If we fail to follow such guidelines and policies properly, search engines may rank our content lower in search results or could remove our content altogether from their indices. If we fail to understand and comply with these guidelines, our SEO strategy may become unsuccessful.

If we are listed less prominently or fail to appear in search result listings for any reason, including as a result of our failure to successfully execute our SEM and SEO strategies, or our failure to comply with search engine guidelines and policies, it is likely that the number of visitors to our websites will decline. Any such decline in consumer traffic to our websites could adversely impact the number of purchases we generate for our retailers, which could adversely affect our net revenues. We may not be able to replace this traffic with the same volume of visitors or in the same cost-effective manner from other channels, such as cost-per-click search engine marketing or display or other advertising, or at all. An attempt to replace this traffic through other channels may require us to increase our sales and marketing expenditures, which would adversely affect our operating results and which may not be offset by additional net revenues.

If we are unable to retain our existing retailers, expand our business with existing retailers or attract new retailers and consumers, our net revenues could decline.

Our ability to continue to grow our net revenues will depend in large part on expanding our business with existing retailers and attracting new retailers. The number of our current retailers may not expand materially beyond our existing base and may decline. Furthermore, even for our largest retailers, the amount they pay us is typically only a small fraction of their overall advertising budget. Retailers may view their spend with us as experimental and may either reduce or terminate their spend with us if they determine a superior alternative for generating sales. In addition, retailers may determine that distributing digital coupons through our platform results in undesirably broad distribution of their coupons or otherwise does not provide a compelling value proposition. Some retailers have demanded that we remove digital coupons relating to their products or services from our websites, and we anticipate that some retailers will do so in the future. Retailers also may reduce the commission rates they pay to us for sales our websites facilitate. If we are unable to negotiate favorable terms with current or new retailers in the future, including the commission rates they pay us, our operating results will be adversely affected. Additionally, retailers may fail to pay the performance marketing networks the fees the retailers owe, which is a prerequisite to us receiving our commissions from the networks.

Retailers do not enter into long-term obligations with us requiring them to use our solutions and their contracts with us are cancelable upon short or no notice and without penalty. We cannot be sure that our retailers will continue to use our solutions or that we will be able to replace retailers that do not renew their campaigns with new ones generating comparable revenues.

If we are unable to attract new consumers and maintain or increase consumer traffic to our websites, new retailers may choose not to use, and existing retailers may not continue to use, our solutions for their promotional campaigns, and our volume of new digital coupon inventory may suffer as the perceived usefulness of our marketplace declines. If our existing retailers do not continue to use our solutions for their promotional campaigns, or if we are unable to attract and expand the amount of business we do with new retailers, our sales will decrease and our operating results will be adversely affected.

We are highly dependent on performance marketing networks as intermediaries. Factors adversely affecting our relationships with performance marketing networks, or the termination of these networks, may adversely affect our ability to attract and retain business and our operating results.

Most of our net revenues come from commissions earned for promoting digital coupons on behalf of retailers. Often, the commissions we earn are tracked and paid by performance marketing networks. For 2013, 96.1% of our net revenues came from retailers that pay us through performance marketing networks, primarily Commission Junction and LinkShare. Performance marketing networks provide retailers with affiliate tracking links for revenues attribution to publishers and the ability to distribute digital coupon content to multiple publishers. We do not have exclusive relationships with performance marketing networks. They do not enter into long-term commitments to us allowing us to use their solutions, and their contracts with us are cancelable upon short or no notice and without penalty.

Our sales could be adversely impacted by industry changes relating to the use of performance marketing networks. For example, if retailers seek to bring the distribution of their digital coupon content in-house rather than using a performance marketing network, we would need to develop relationships with more retailers directly, which we might not be able to do and which could increase our sales, marketing and product expenses. Additionally, we face challenges associated with consumers' increasing use of mobile devices to complete their online purchases. For example, many retailers currently do not recognize affiliate tracking links on their mobile-optimized websites or applications, and tracking mechanisms on mobile websites or applications may not function to allow retailers to properly attribute sales to us. As a result, we may not receive commission revenues when a consumer makes a purchase from their mobile device on a retailer's mobile-optimized website after clicking through a digital coupon displayed on one of our websites or mobile applications if the retailer's mobile monetization mechanisms are not enabled.

Moreover, as a result of dealing primarily with performance marketing networks, we have less of a direct relationship with retailers than would be the case if we dealt directly with retailers. The presence of performance marketing networks as intermediaries between us and retailers creates a challenge to building our own brand awareness and affinity with retailers. Additionally, in the event that our relationship with a performance marketing network were to terminate, our mechanism for receiving payments from the retailers we service through that network would terminate, which could materially and adversely impact our net revenues.

Some performance marketing networks that we work with could be considered our competitors because they also offer some components of our solution, including publishing digital coupons on their own websites. If they further develop these capabilities, they may offer their own competitive solutions to retailers and, as a result, our ability to compete effectively could be significantly compromised and our business and operating results could be adversely affected.

If retailers alter the way they attribute credit to publishers in their performance marketing programs, our net revenues could decline and our operating results could be adversely affected.

Retailers often advertise and market digital coupons through performance marketing programs, a type of performance-based marketing in which a retailer rewards one or more publishers for each visitor or customer generated by the publisher's own marketing efforts. When a consumer executes a purchase on a retailer's website as a result of a performance marketing program, most performance marketing conversion tracking tools credit the

most recent link or ad clicked by the consumer prior to that purchase. This practice is generally known as "last-click attribution." We generate the vast majority of our net revenues through transactions for which we receive last-click attribution. In recent years, some retailers have sought, and in some cases adopted, alternatives to last-click attribution. These alternatives are primarily "first-click attribution," which credits the first link or ad clicked by a consumer prior to executing a purchase, or "multichannel attribution," which applies weighted values to each of a retailer's advertisements and tracks how each of those advertisements contributed to a purchase. If retailers widely adopt first-click attribution, multichannel attribution or otherwise alter the ways they attribute credit for purchases to us, and if we are unable to adapt our business practices to such alterations, our net revenues could decline and our business, financial condition and operating results could be adversely affected.

The market in which we participate is intensely competitive, and we may not be able to compete successfully.

The market for digital coupon solutions is highly competitive, fragmented and rapidly changing. Our competition for traffic from consumers seeking to save money on online or in-store purchases includes digital coupon websites and mobile applications, cash back and loyalty websites, retailers, search engines, social networks, comparison shopping websites, newspapers and direct mail campaigns. Our competition for retailer marketing spend includes digital coupon sites that offer a pay-for-performance model, search engines and social networks that compete for online advertising spend and television, magazines and newspapers that compete for offline advertising spend. With the introduction of new technologies and the influx of new entrants to the market, we expect competition to persist and intensify in the future, which could harm our ability to increase sales and maintain our profitability. We also expect competition in e-commerce generally, and digital coupon solutions in particular, to continue to increase because there are no significant barriers to entry. A substantial number of digital coupon websites, including those that attempt to replicate our business model, have emerged globally. In addition to such competitors, we are experiencing increasing competition from other businesses that offer digital coupons similar to ours as an add-on to their core business. For example, Groupon, Living Social and Coupons.com are now offering digital coupons, and Google and PayPal are now offering digital coupons for in-store purchases. We also expect to compete against other Internet sites that serve niche markets and interests. In addition, we compete with traditional offline coupon and discount services, as well as newspapers, magazines and other traditional media companies that provide coupons and discounts on products and services.

Our success depends on the breadth, depth, quality and reliability of our digital coupon selection, as well as our continued innovation and ability to provide features that make our marketplace useful and appealing to consumers. If we are unable to develop quality features that consumers want to use, then consumers may become dissatisfied with our marketplace and elect to use the offerings of one of our competitors, which could adversely affect our operating results.

Certain of our larger potential competitors may have the resources to significantly change the nature of the digital coupon industry to their advantage, which could materially disadvantage us. For example, Google, PayPal, Yahoo!, Bing and Facebook have widely adopted industry platforms which they could leverage to distribute digital coupons that could be disadvantageous to our competitive position.

Our current and potential competitors may have significantly more financial, technical, marketing and other resources than we have, be able to devote greater resources to the development, promotion, sale and support of their products and services, have more extensive consumer bases and deeper relationships, and may have longer operating histories and greater name recognition than we have. As a result, these competitors may be better able to respond quickly to new technologies, develop deeper retailer relationships or offer services at lower prices. Any of these developments would make it more difficult for us to sell our solutions and could result in increased pricing pressure, reduced profit margins, increased sales and marketing expenses or the loss of market share.

In the traditional coupon landscape, our primary competitors for advertising spend include publishers of printable coupons. Many of these competitors have significant consumer reach, well-developed retailer relationships, and much larger financial resources and longer operating histories than we have.

We also directly and indirectly compete with retailers for consumer traffic. Many retailers market and offer their own digital coupons directly to consumers using their own websites, email newsletter and alerts, mobile applications, social media presence and other distribution channels. Our retailers could be more successful than we are at marketing their own digital coupons or could decide to terminate their relationship with us because they no longer want to pay us to compete against them.

We may face competition from companies we do not yet know about. If existing or new companies develop, market or resell competitive digital coupon solutions, acquire one of our existing competitors or form a strategic alliance with one of our competitors, our ability to compete effectively could be significantly compromised and our operating results could be harmed.

We have experienced rapid growth in recent periods. If we fail to manage our growth, our financial performance may suffer.

We have expanded our overall business, consumer traffic, paid retailers, employee headcount and operations in recent periods. We increased our total number of full-time employees and contractors from 35 as of December 31, 2010 to 444 as of December 31, 2013. We have also established or acquired operations in other countries. In 2011, we acquired the business of VoucherCodes.co.uk, which is based in the U.K. In 2012, we acquired Bons-de-Reduction.com and Poulpeo.com, which are based in France, and relaunched Deals.com in Germany. In March 2013, we acquired Actiepagina.nl, which is based in the Netherlands. In July 2013, we acquired Ma-Reduc.com, which is based in France. In most of these instances, we previously had no presence in these countries. Our business is becoming increasingly complex, especially in light of the number of acquisitions we have integrated and are in the process of integrating. Our limited operating history, reliance on multiple websites and brands and our rapid expansion have placed, and will continue to place, a significant strain on our managerial, operational, product development, sales and marketing, administrative, financial and other resources.

We expect to continue to increase headcount and to hire more specialized personnel in the future. We will need to continue to hire, train and manage additional qualified website developers, software engineers, partner management personnel and sales and marketing staff in order to improve and maintain our technology to properly manage our growth. If our new hires perform poorly, if we are unsuccessful in hiring, training, managing and integrating these new employees or if we are not successful in retaining our existing employees, our business may be harmed.

Further, to accommodate our expected growth we must add new hardware and software and improve and maintain our technology, systems and network infrastructure. Failure to effectively upgrade our technology or network infrastructure to support our expected increases in traffic volume could result in unanticipated system disruptions, slow response times or poor experiences for consumers. To manage the expected growth of our operations and personnel and to support financial reporting requirements as a public company, we will need to improve our transaction processing and reporting, operational and financial systems, procedures and controls. These improvements will be particularly challenging if we acquire new operations with different back-end systems. For example, we are in the process of converting the method of collecting a substantial portion of the data necessary to record our net revenues. Our current and planned personnel, systems, procedures and controls may not be adequate to support our future operations. If we are unable to manage our growth successfully and hire additional qualified personnel in an efficient manner, our business, financial conditions and operating results could be adversely affected.

We experience quarterly fluctuations in our operating results due to a number of factors that make our future results difficult to predict and could cause our operating results to fall below expectations or our guidance.

Our business is subject to seasonal fluctuations. Specifically, our net revenues are traditionally strongest in the third and fourth quarters of each year due to increases in holiday shopping. Conversely, our first and second quarter net revenues are typically lower.

Since the majority of our expenses are personnel-related and include salaries and stock-based compensation, benefits and incentive-based compensation plan expenses, we have not experienced significant seasonal fluctuations in the timing of our expenses from period to period other than increases in discretionary advertising and promotional spending during the third and fourth quarter holiday shopping period. We plan to continue to increase our investment in sales and marketing and product development substantially as we seek to leverage our solution to capitalize on what we see as a growing global opportunity. We also expect that our general and administrative expenses will increase both to support our growing operations and manage increased costs of operating as a public company. For the foregoing reasons or other reasons we may not anticipate, historical patterns should not be considered indicative of our future sales activity, expenditure levels or performance.

Factors that may affect our quarterly operating results include the following:

- the number and quality of the digital coupons on our websites and mobile applications;
- consumer visits to our websites and use of our mobile applications, and purchases of retail products by consumers resulting from those visits;
- the success and costs of our online advertising and marketing initiatives, including advertising costs for paid search keywords that we deem relevant to our business;
- the levels of compensation that retailers are willing to pay us to attract customers;
- the amount that consumers spend when they make purchases using the digital coupons we provide;
- market acceptance of our current and future solutions, including our ability to sell additional solutions to existing retailers and to add new retailers to our business in multiple regions around the world;
- overall levels of consumer spending;
- the budgeting cycles of our retailers;
- the cyclical and discretionary nature of marketing spend and any resulting changes in the number and quality of digital coupons that retailers choose to offer;
- changes in the competitive dynamics of the digital coupon industry, including consolidation among competitors, performance marketing networks or customers, and our reputation and brand strength relative to our competitors;
- the response of consumers to our digital coupon content;
- our ability to control costs, including our operating expenses;
- network outages, errors in our solutions or security breaches and any associated expenses and collateral effects;
- our ability to achieve the growth rate that was anticipated by us in setting our operating and capital expense budgets;
- foreign currency exchange rate fluctuations, as our foreign sales and costs are denominated in local currencies;
- costs related to acquisitions or licensing of, or investments in, products, services, technologies or other businesses and our ability to integrate and manage any acquisitions successfully; and
- general economic and political conditions in our domestic and international markets.

As a result of these and other factors, we have a limited ability to forecast the amount of future net revenues and expenses, and our operating results may vary from quarter to quarter and may fall below our estimates or the expectations of public market analysts and investors. Fluctuations in our quarterly operating results may lead analysts to change their long-term models for valuing our common stock, cause us to face short-term liquidity

issues, impact our ability to retain or attract key personnel or cause other unanticipated issues, all of which could cause our stock price to decline. As a result of the potential variations in our quarterly net revenues and operating results, we believe that quarter-to-quarter comparisons of our net revenues and operating results may not be meaningful and the results of any one quarter should not be relied upon as an indication of future performance.

If online commerce does not continue to grow, or contracts, our business may suffer.

The business of selling goods and services over the Internet, and the use of digital coupons in those transactions, is dynamic and relatively new. Concerns about fraud, privacy and other challenges may discourage additional consumers from adopting the Internet as a medium of commerce. Acquiring new customers for our marketplace and increasing consumer traffic may become more difficult and costly than it has been in the past, particularly in markets where our marketplace has been available for some time. In order to increase consumer traffic to our websites and use of our mobile applications, we must appeal to consumers who historically have used traditional means of commerce to purchase goods and services and may prefer alternatives to our websites, such as the retailer's own website. If these consumers prove to be less active than consumers who are already providing traffic to our websites, or we are unable to gain efficiencies in our operating costs, including our cost of increasing consumer traffic to our websites, our business could be adversely impacted. Furthermore, to the extent that weak economic conditions cause consumer spending to decline or cause our customers and potential customers to freeze or reduce their marketing budgets, particularly in the online retail market, demand for our solutions may be negatively affected.

If we are not able to maintain a positive perception of the content available through our marketplace, maintain and enhance our RetailMeNot brand and the brands associated with each of our other websites, our reputation and business may suffer.

A decrease in the quality of the digital coupons available through our marketplace could harm our reputation and damage our ability to attract and retain consumers and retailers, which could adversely affect our business. Additionally, maintaining and enhancing our RetailMeNot brand and the brands of each of our other websites are critical to our ability to attract new retailers and consumers to our marketplace, generate net revenues and successfully introduce new solutions. We may not be able to successfully build our RetailMeNot brand in the U.S. without losing some or all of the value associated with, or decreasing the effectiveness of, our other brands. We expect that the promotion of our brands will require us to make substantial investments and as our market becomes more competitive, these branding initiatives may become increasingly difficult and expensive. The successful promotion of our brands will depend largely on our marketing and public relations efforts. If we do not successfully maintain and enhance our brands, we could lose consumer traffic, which could, in turn, cause retailers to terminate or reduce the extent of their relationship with us. Our brand promotion activities may not be successful or may not yield net revenues sufficient to offset this cost, which could adversely affect our reputation and business.

Our business model depends upon digital coupon inventory that we do not own or otherwise control, and the failure to maintain sufficient inventory or quality of the digital coupons available on our websites may adversely affect our perceived value by consumers and therefore retailers.

Our success depends on our ability to provide consumers with the digital coupons they seek. The vast majority of our revenues come from arrangements in which we are paid by retailers to promote their digital coupons. Additionally, approximately one-third of the digital coupons on our websites are submitted by users. Therefore, we do not own or control the inventory of content upon which our business depends. Because a large number of our digital coupons are submitted by users, our efforts to ensure the quality and reliability of those digital coupons are critical to our success. From time to time consumers submit complaints that our digital coupons are invalid or expired. If our algorithms and automated processes for sorting user-submitted digital coupons are ineffective, or if our employees responsible for manual review and curation of user-submitted digital coupons are unable to effectively select and sort the digital coupons that are reliable and most appealing to our users, we may be unable meet the needs of consumers and our operating results may be adversely affected.

Retailers have a variety of channels through which to promote their products and services. If these retailers elect to promote their coupons and discounts through other channels, less compelling coupons or discounts or not to promote coupons or discounts at all, or if our competitors are willing to accept lower commissions than we are to promote these digital coupons, our ability to obtain content may be impeded and our business, financial condition and operating results will be adversely affected. Similarly, if users do not contribute digital coupons to our websites, or if they contribute digital coupons that are not attractive or reliable, the digital coupon inventory in our marketplace may decrease or become less valuable to consumers. If we cannot maintain sufficient digital coupon inventory in our marketplace, consumers may perceive our marketplace as less relevant, consumer traffic to our websites and use of our mobile applications will decline and, as a result, our business, financial condition and operating results will be adversely affected.

Consumers are increasingly using mobile devices to access our content, and if we are unsuccessful in expanding the capabilities of our digital coupon solutions for our mobile platforms to allow us to generate net revenues as effectively as our desktop platforms, our net revenues could decline.

Web usage and the consumption of digital content are increasingly shifting to mobile platforms such as smartphones and other connected devices. Industry-wide solutions to monetize digital coupon content effectively on these platforms are at an early stage of development and the future demand and growth prospects for digital coupon content on these mobile platforms is uncertain.

The growth of our business depends in part on our ability to deliver compelling solutions to retailers through these new mobile marketing channels. Our success on mobile platforms will be dependent on our interoperability with popular mobile operating systems that we do not control, such as Android, iOS and Windows Mobile, and any changes in such systems that degrade our functionality or give preferential treatment to competitive services could adversely affect usage of our services through mobile devices.

Further, to deliver high quality mobile offerings, it is important that our solutions integrate with a range of other mobile technologies, systems, networks and standards that we do not control. We may not be successful in developing relationships with key participants in the mobile industry or in developing products that operate effectively with these technologies, systems, networks or standards. For example, many retailers today do not recognize affiliate tracking links on their mobile websites, and affiliate tracking links on mobile websites may not function to allow retailers' sales to be attributed to us. As a result, we may not receive commission revenues when a consumer executes a purchase on the retailer's platform after clicking through a digital coupon displayed on our mobile website or in our mobile applications. If retailers fail to recognize affiliate tracking links on their mobile websites, or affiliate tracking links on mobile websites do not function to allow retailers' sales to be attributed to us and our mobile traffic continues to increase or represent a higher percentage of our consumer traffic, our business could be harmed and our operating results could be adversely affected.

If we fail to achieve success with our mobile applications and mobile website, or if we otherwise fail to deliver effective solutions to advertisers for mobile platforms and other emerging platforms, our ability to monetize these growth opportunities will be constrained, and our business, financial condition and operating results would be adversely affected.

Our failure or the failure of third-party service providers to protect our platform and network against security breaches, or otherwise protect our confidential information, could damage our reputation and brand and substantially harm our business and operating results.

We deliver digital coupon content via our websites, mobile applications and email newsletter and alerts and social media presence, and we collect and maintain data about consumers, including personally identifiable information, as well as other confidential or proprietary information. Our security measures may not detect or prevent all attempts to hack our systems, denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the

security of information stored in and transmitted by our platform or that we or our third-party service providers otherwise maintain. Breaches of our security measures or those of our third-party service providers could result in unauthorized access to our platform or other systems; unauthorized access to and misappropriation of consumer information, including consumers' personally identifiable information, or other confidential or proprietary information of ourselves or third parties; viruses, worms, spyware or other malware being served from our platform; deletion or modification of content, or the display of unauthorized content, on our websites or our mobile applications; or a denial of service or other interruption in our operations. Because techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers, we and they may be unable to anticipate these attacks or to implement adequate preventative measures. Any actual or perceived breach of our security could damage our reputation and brand, expose us to a risk of loss or litigation and possible liability, require us to expend significant capital and other resources to alleviate problems caused by such breaches and deter consumers and retailers from using our online marketplace, which would harm our business, financial condition and operating results.

Interruptions or delays in service from third-party data center hosting facilities and other third parties could impair the delivery of our solutions and harm our business.

We currently serve our customers from third-party data center hosting facilities located in California, Virginia, the U.K., France, Germany and the Netherlands. All of our data gathering and analytics are conducted on, and the content we deliver is processed through, servers in these facilities. We also rely on bandwidth providers, Internet service providers and mobile networks to deliver content. Any damage to, or failure of, the systems of our third-party providers could result in interruptions to our service.

Despite precautions taken at our third-party data centers, these facilities may be vulnerable to damage or interruption from break-ins, computer viruses, denial-of-service attacks, acts of terrorism, vandalism or sabotage, power loss, telecommunications failures, fires, floods, earthquakes, hurricanes, tornadoes and similar events. The occurrence of any of these events, a decision to close the facilities without adequate notice or other unanticipated problems at these facilities could result in loss of data, lengthy interruptions in the availability of our services and harm to our reputation and brand. While we have disaster recovery arrangements in place, they have not been tested under actual disasters or similar events.

Additionally, our third-party data center facility agreements are of limited durations, and our third-party data center facilities have no obligation to renew their agreements with us on commercially reasonable terms, or at all. If for any reason we are unable to renew our agreements with these facilities on commercially reasonable terms or if our arrangement with one or more of our data centers is terminated, we could experience additional expense in arranging for new facilities and support, and we may experience delays in the provisioning of our solutions until an agreement with another data center facility can be arranged. This shift to alternate facilities could take more than 24 hours depending on the nature of the event, which could cause significant interruptions in the delivery of our solutions and adversely affect our business and reputation. In addition, the failure of these facilities to meet our capacity requirements could result in interruptions in the availability or functionality of our solutions or impede our ability to scale our operations.

Furthermore, we depend on continuous and uninterrupted access to the Internet through third-party bandwidth providers to operate our business. If we lose the services of one or more of our bandwidth providers for any reason or if their services are disrupted, we could experience disruption in our services or we could be required to retain the services of a replacement bandwidth provider, which could increase our operating costs and harm our business and reputation.

Any errors, defects, disruptions or other performance problems with our solutions could harm our reputation and may damage our retailers' businesses. Interruptions in our solutions could cause retailers to terminate their contracts with us, which would likely reduce our net revenues and harm our business, operating results and financial condition.

An increase in the return rate of paid retailers' products or a change in the categories of products retailers choose to promote using digital coupons could reduce our net revenues.

The commission revenues we receive from paid retailers is in part a function of the amount consumers purchase from paid retailers and net of product returns. We do not have control over the categories or quality of products or services that our retailers deliver, nor do we have control over the digital coupons they provide us. As a result, we rely on our historical experience for our estimate of returns. If paid retailers' actual levels of returns are greater than the level of returns we estimate or if paid retailers elect to use digital coupon content to promote products and services with a higher return rate than what we have experienced historically, our net revenues could decline. Because some categories of products tend to experience higher return rates than others, a shift in the types of goods consumers purchase using our solutions could lead to an increase in returns and our net revenues could decline. Additionally, return rates in the foreign countries in which we operate are currently higher than return rates in the U.S. If we continue to expand our operations in countries with high return rates, our operating results may be negatively affected.

Regulatory, legislative or self-regulatory developments regarding Internet privacy matters could adversely affect our ability to conduct our business.

Consumer and industry groups have expressed concerns about online data collection and use by companies, which has resulted in the release of various industry self-regulatory codes of conduct and best practice guidelines that are binding for member companies and that govern, among other things, the ways in which companies can collect, use and disclose user information, how companies must give notice of these practices and what choices companies must provide to consumers regarding these practices. We are obligated in certain cases to comply with best practices or codes of conduct addressing matters, such as the online tracking of users or devices.

U.S. regulatory agencies have also placed an increased focus on online privacy matters and, in particular, on online advertising activities that utilize cookies, which are small files of non-personalized information placed on an Internet user's computer, and other online tracking methods. Such regulatory agencies have released, or are expected to release, reports pertaining to these matters. For example, on March 26, 2012, the Federal Trade Commission, or FTC, issued a report on consumer privacy intended to articulate best practices for companies collecting and using consumer data. The report recommends companies adopt several practices that could have an impact on our business, including giving consumers notice and offering them choices about being tracked across other parties' websites and implementing a persistent "Do Not Track" mechanism to enable consumers to choose whether to allow tracking of their online search and browsing activities, including on mobile devices. Various industry participants have worked to develop and finalize standards relating to a Do Not Track mechanism, and such standards may be implemented and adopted by industry participants at any time. We may be required or otherwise choose to adopt Do Not Track mechanisms, in which case our ability to use our existing tracking technologies and permit their use by performance marketing networks and other third parties could be impaired. This could cause our net revenues to decline and adversely affect our operating results.

U.S. and foreign governments have enacted, considered or are considering legislation or regulations that could significantly restrict industry participants' ability to collect, augment, analyze, use and share anonymous data, such as by regulating the level of consumer notice and consent required before a company can employ cookies or other electronic tracking tools. A number of bills have been proposed in the U.S. Congress in the past that contained provisions that would have regulated how companies can use cookies and other tracking technologies to collect and use information about consumers. Some of those bills also contained provisions that would have specifically regulated the collection and use of information, particularly geolocation information, from mobile devices. At least one such bill presently has been proposed in the U.S. Congress.

Additionally, the EU has traditionally imposed more strict obligations under data privacy laws and regulations. Individual EU member countries have had discretion with respect to their interpretation and implementation of EU data privacy laws, resulting in variation of privacy standards from country to country. Legislation and regulation in the EU and some EU member states requires companies to obtain specific types of

notice and consent from consumers before using cookies or other tracking technologies. To comply with these requirements, the use of cookies or other similar technologies may require the user's affirmative, opt-in consent. Additionally, in January 2012, the European Commission announced significant proposed reforms to its existing data protection legal framework that, if implemented, may result in a greater compliance burden with respect to our operations in Europe.

Changes in global privacy laws and regulations and self-regulatory regimes may force us to incur substantial costs or require us to change our business practices. This could compromise our ability to pursue our growth strategies effectively and may adversely affect the demand for our solutions or otherwise harm our business and financial condition. For instance, new privacy laws or regulations or changed interpretations of existing laws or regulations could require performance marketing networks or us to take additional measures to facilitate consumer privacy preferences or to limit or cease altogether the collection, use or disclosure of data. For example, one potential restriction on the use of cookies would allow a website that a consumer has elected to visit to continue to place cookies on the user's browser without explicit consent, but would require the user's explicit consent for a third party to place its cookies on the user's browser. The recent FTC staff report also recommends that websites offer consumers a choice about whether the owner of the website can use third parties to track the consumer's activity for certain purposes. We are dependent on third parties, including performance marketing networks, to place cookies on browsers of users that visit our websites. If in the future we are restricted from allowing cookies, if there is a material increase in the number of users who choose to opt out or block cookies and other tracking technologies, or if performance marketing networks' cookies or other tracking mechanisms otherwise do not function properly, our ability to generate net revenues would be significantly impaired.

Finally, we may be subject to foreign laws regulating online advertising even in jurisdictions where we do not have any physical presence to the extent a digital media content provider has advertising inventory that we manage or to the extent that we collect and use data from consumers in those jurisdictions. Such laws may vary widely around the world, making it more costly for us to comply with them. Failure to comply may harm our business and our operating results could be adversely affected.

Changes in consumer sentiment or laws, rules or regulations regarding the use of cookies and other tracking technologies and other privacy matters could have a material adverse effect on our ability to generate net revenues and could adversely affect our ability to collect proprietary data on consumer shopping behavior.

Consumers may become increasingly resistant to the collection, use and sharing of information online, including information used to deliver advertising and to attribute credit to publishers in performance marketing programs, and take steps to prevent such collection, use and sharing of information. For example, consumer complaints and/or lawsuits regarding online advertising or the use of cookies or other tracking technologies in general and our practices specifically could adversely impact our business.

Consumers can currently opt out of the placement or use of most cookies for online advertising purposes by either deleting or disabling cookies on their browsers, visiting websites that allow consumers to place an opt-out cookie on their browsers, which instructs participating entities not to use certain data about consumers' online activity for the delivery of targeted advertising, or by downloading browser plug-ins and other tools that can be set to: identify cookies and other tracking technologies used on websites; prevent websites from placing third-party cookies and other tracking technologies on the user's browser; or block the delivery of online advertisements on websites and applications.

Changes in device and software features could make it easier for Internet users to prevent the placement of cookies or to block other tracking technologies. In particular, the default settings of consumer devices and software may be set to prevent the placement of cookies unless the user actively elects to allow them. For example, Apple's Safari browser currently has a default setting under which third-party cookies are not accepted, and users must activate a browser setting to enable cookies to be set. Additionally, Mozilla Corporation announced on February 25, 2013, that its Firefox browser also will not accept third-party cookies by default. On

February 22, 2012, the Digital Advertising Alliance announced that its members will work to add browser-based header signals to the set of tools by which consumers can express their preferences not to be tracked online. A recent FTC report on consumer privacy calls for the development and implementation of a persistent Do Not Track mechanism that enable consumers to choose whether to allow the tracking of their online search and browsing activities. Various industry participants have worked to develop and finalize standards relating to a Do Not Track mechanism, and such standards may be implemented and adopted by industry participants at any time.

We are dependent on performance marketing networks or in some instances, retailers, to place cookies on browsers of users that visit our websites or to use other tracking mechanisms to allow retailer sales through our marketplace to be attributed to us, and if we are restricted from allowing these or if they do not function in a manner that allows retailer sales through our marketplace to be attributed to us, our ability to generate net revenues would be significantly impaired. In particular, if consumer sentiment regarding privacy issues or the development and deployment of new browser solutions or other Do Not Track mechanisms results in a material increase in the number of users who choose to opt out or block cookies and other tracking technologies or who are otherwise using browsers where they need to, and fail to, configure the browser to accept cookies, or otherwise results in cookies or other tracking technologies not functioning properly, our ability to conduct our business, operating results and financial condition would be adversely affected.

In addition to this change in consumer preferences, if retailers or brands perceive significant negative consumer reaction to targeted online advertising or the tracking of consumers' online activities, they may determine that such advertising or tracking has the potential to negatively impact their brand. In that case, advertisers may limit or stop the use of our solutions, and our operating results and financial condition would be adversely affected.

Our business practices with respect to data and consumer protection could give rise to liabilities or reputational harm as a result of governmental regulation, legal requirements or industry standards relating to consumer privacy, data protection and consumer protection.

Federal, state and international laws and regulations govern the collection, use, retention, sharing and security of data that we collect. We strive to comply with all applicable laws, regulations, self-regulatory requirements and legal obligations relating to privacy, data protection and consumer protection, including those relating to the use of data for marketing purposes. It is possible, however, that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. We cannot assure you that our practices have complied, comply, or will comply fully with all such laws, regulations, requirements and obligations. Any failure, or perceived failure, by us to comply with federal, state or international laws or regulations, including laws and regulations regulating privacy, data security, marketing communications or consumer protection, or other policies, self-regulatory requirements or legal obligations could result in harm to our reputation, a loss in business, and proceedings or actions against us by governmental entities, consumers, retailers or others. We may also be contractually liable to indemnify and hold harmless performance marketing networks or other third parties from the costs or consequences of noncompliance with any laws, regulations, self-regulatory requirements or other legal obligations relating to privacy, data protection and consumer protection or any inadvertent or unauthorized use or disclosure of data that we store or handle as part of operating our business. Any such proceeding or action, and any related indemnification obligation, could hurt our reputation, force us to incur significant expenses in defense of these proceedings, distract our management, increase our costs of doing business and cause consumers and retailers to decrease their use of our marketplace, and may result in the imposition of monetary liability.

Government regulation of the Internet, e-commerce and m-commerce is evolving, and unfavorable changes or failure by us to comply with these laws and regulations could substantially harm our business and results of operations.

We are subject to general business regulations and laws as well as regulations and laws specifically governing the Internet, e-commerce and m-commerce in a number of jurisdictions around the world. Existing and future regulations and laws could impede the growth of the Internet, e-commerce, m-commerce or other online

services. These regulations and laws may involve taxation, tariffs, privacy and data security, anti-spam, data protection, content, copyrights, distribution, electronic contracts, electronic communications and consumer protection. It is not clear how existing laws and regulations governing issues such as property ownership, sales and other taxes, libel and personal privacy apply to the Internet as the vast majority of these laws and regulations were adopted prior to the advent of the Internet and do not contemplate or address the unique issues raised by the Internet, e-commerce or m-commerce. It is possible that general business regulations and laws, or those specifically governing the Internet, e-commerce or m-commerce may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. We cannot assure you that our practices have complied, comply or will comply fully with all such laws and regulations. Any failure, or perceived failure, by us to comply with any of these laws or regulations could result in damage to our reputation, a loss in business, and proceedings or actions against us by governmental entities or others. Any such proceeding or action could hurt our reputation, force us to spend significant resources in defense of these proceedings, distract our management, increase our costs of doing business, and cause consumers and retailers to decrease their use of our marketplace, and may result in the imposition of monetary liability. We may also be contractually liable to indemnify and hold harmless third parties from the costs or consequences of noncompliance with any such laws or regulations. In addition, it is possible that governments of one or more countries may seek to censor content available on our websites and mobile applications or may even attempt to completely block access to our marketplace. Adverse legal or regulatory developments could substantially harm our business. In particular, in the event that we are restricted, in whole or in part, from operating in one or more countries, our ability to retain or increase our customer base may be adversely affected and we may not be able to maintain or grow our net revenues as anticipated.

As we develop and provide solutions, we may be subject to additional and unexpected regulations, which could increase our costs or otherwise harm our business.

As we develop and provide solutions that address new market segments, we may become subject to additional laws and regulations, which could create unexpected liabilities for us, cause us to incur additional costs or restrict our operations.

We have begun to introduce new product offerings, which may be subject to regulation by federal, state and local authorities and by authorities in foreign countries. For example, unlike our other solutions, in order to facilitate card-linked offers that we are considering, we must acquire and store consumer credit card data. The storage of credit card data requires compliance with the Payment Card Industry Data Security Standard, or PCI DSS, which compliance certification we recently obtained. Under the PCI DSS, we are required to adopt and implement internal controls over the use, storage and security of credit card data to help prevent credit card fraud. Failure to comply with this standard or other loss of our PCI DSS compliance would result in breaches of contractual obligations with our payment processors, may subject us to fines, penalties, damages and civil liability and could eventually prevent us from processing or accepting credit cards.

From time to time, we may be notified of or otherwise become aware of additional laws and regulations that governmental organizations or others may claim should be applicable to our business. Our failure to anticipate the application of these laws and regulations accurately, or other failure to comply, could create liability for us, result in adverse publicity or cause us to alter our business practices, which could cause our net revenues to decrease, our costs to increase or our business otherwise to be harmed.

We may face liability for, and may be subject to claims related to, inaccurate or outdated content provided to us, or content provided to us without permission, which could require us to pay significant damages, may be extremely costly to defend even if decided in our favor and could limit our ability to operate.

The information on our websites and applications that is provided by performance marketing networks and retailers and collected from third parties relates to digital coupons from retailers participating in the digital coupon industry. We are exposed to the risk that some of this content may contain inaccurate or outdated

information about retailer products or services or the discounts thereon, or digital coupons that are not made available or intended to be made available to all consumers. This could cause consumers and retailers to lose confidence in the information provided on our platform or become dissatisfied with our platform and result in lawsuits being filed against us.

In addition, we may face potential liability relating to information that is published or made available through our marketplace, including information generated by us, user-generated content and proprietary information of third parties. This content may expose us to claims related to trademark and copyright infringement and other intellectual property rights, rights of privacy, defamation, fraud, negligence, breach of contract, tortious interference, unfairness, deceptiveness, false or misleading advertising, personal injury torts, noncompliance with state or federal laws relating to digital coupons or other theories based on the nature and content of the information. The laws relating to the liability of service providers for activities of their users is currently unsettled both within the U.S. and internationally, although risks related to these types of lawsuits may be enhanced in certain jurisdictions outside the U.S. where our protection from liability for third-party actions is more unclear and where we may be less protected under local laws than we are in the U.S.

Such claims or lawsuits could divert the time and attention of management and technical personnel away from our business and result in significant costs to investigate and defend, regardless of the merits of the claims, as well as significant damages if we are found liable. The scope and amount of our insurance may not adequately protect us against these types of damages. Additionally, as a result of such claims, we may elect or be compelled to remove valuable content from our websites or mobile applications, which could decrease the usefulness of our platform for consumers and result in less traffic to our websites and less usage of our mobile applications. If any of these events occur, our business and financial results could be adversely affected.

Our business could suffer if the jurisdictions in which we operate change the way in which they regulate user-generated content.

Our business, including our ability to operate and expand internationally, could be adversely affected if legislation or regulations are adopted, interpreted or implemented in a manner that is inconsistent with our current business practices related to user-generated content and that requires changes to these practices or the design of our platform or solutions. For example, if legislation is passed that limits the immunities afforded to websites that publish user-generated content, we may be compelled to remove content from our platform that we would otherwise publish or restrict the types of businesses that we can promote coupon content for, among other changes. Legislative changes such as these were proposed in the U.S. last year and could increase our operating costs and make it more difficult for consumers to use our platform, resulting in less consumer traffic and net revenues, and our business and operating results could suffer.

If Texas or any other jurisdiction in which we are resident implements regulations that impose sales tax on certain e-commerce or m-commerce transactions involving the use of performance marketing programs, our net revenues could decline and our business, financial condition and operating results will be adversely affected.

In 2008, New York implemented regulations that require retailers to collect and remit sales taxes on sales made to residents of New York if the publisher that facilitated that sale is a New York resident. In 2011, Illinois and California each passed similar regulations. In addition, several other states have proposed similar regulations, although some of the regulations proposed by these other states have not passed. None of these sales tax requirements have had a material impact on our results of operations to date. However, if Texas or any other jurisdiction in which we are resident were to pass similar regulations, we believe a substantial number of the retailers that we work with would cease using our marketplace or significantly alter the manner in which they pay us. This would decrease our sales and our business, financial condition and operating results would be adversely affected.

The growth of e-commerce and m-commerce in the U.S. could suffer if the federal government implements new regulations that obligate retailers, or permit states to obligate retailers, to collect sales taxes from consumers on certain e-commerce or m-commerce transactions, which would adversely affect our growth.

Legislation introduced in the 113th Congress in 2013, including H.R. 684 and S. 336, would grant states the authority to require out-of-state retailers to collect and remit sales taxes. The adoption of remote sales tax collection legislation would result in the imposition of sales taxes and additional costs associated with complex sales tax collection, remittance and audit compliance requirements on many of our retailers, which would make selling online or through mobile applications less attractive for these retailers. Additionally, the introduction of new or increased taxes applicable to online transactions could make online purchases less attractive to consumers relative to in-store retail purchases. These changes could substantially impair the growth of e-commerce and m-commerce in the U.S., and could diminish our opportunity to derive financial benefit from our activities in the U.S.

We may be sued by third parties for infringement or other violation of their intellectual property or proprietary rights.

Internet, advertising and e-commerce companies frequently are subject to litigation based on allegations of infringement, misappropriation, dilution or other violations of intellectual property rights. Some Internet, advertising and e-commerce companies, including some of our competitors, own large numbers of patents, copyrights, trademarks and trade secrets, which they may use to assert claims against us.

Third parties have asserted, and may in the future assert, that we have infringed, misappropriated or otherwise violated their intellectual property rights.

For instance, the use of our technology to provide our solutions could be challenged by claims that such use infringes, dilutes, misappropriates or otherwise violates the intellectual property rights of a third party. In addition, we may face claims that content published or made available through our websites or mobile applications violates third-party intellectual property rights. For example, retailers and other third parties frequently have complained that their trademarks, copyrights or other intellectual property are being used on our websites without their permission and in violation of their rights or in violation of laws or regulations.

As we face increasing competition and as a public company, the possibility of intellectual property rights claims against us grows. Such claims and litigation may involve patent holding companies or other adverse intellectual property rights holders who have no relevant product revenue, and therefore our own pending patents and other intellectual property rights may provide little or no deterrence to these rights holders in bringing intellectual property rights claims against us. There may be intellectual property rights held by others, including issued or pending patents and trademarks, that cover significant aspects of our technologies, content, branding or business methods, and we cannot assure that we are not infringing or violating, and have not violated or infringed, any third-party intellectual property rights or that we will not be held to have done so or be accused of doing so in the future.

Any claim that we have violated intellectual property or other proprietary rights of third parties, with or without merit, and whether or not settled out of court or determined in our favor, could be time-consuming and costly to address and resolve, and could divert the time and attention of management and technical personnel from our business. Furthermore, an adverse outcome of a dispute may result in an injunction and could require us to pay substantial monetary damages, including treble damages and attorneys' fees, if we are found to have willfully infringed a party's intellectual property rights. Any settlement or adverse judgment resulting from such a claim could require us to enter into a licensing agreement to continue using the technology, content or other intellectual property that is the subject of the claim; restrict or prohibit our use of such technology, content or other intellectual property; require us to expend significant resources to redesign our technology or solutions; and require us to indemnify third parties. Royalty or licensing agreements, if required or desirable, may be unavailable on terms acceptable to us, or at all, and may require significant royalty payments and other

expenditures. There also can be no assurance that we would be able to develop or license suitable alternative technology, content or other intellectual property to permit us to continue offering the affected technology, content or services to our customers. Any of these events could harm our business, operating results and financial condition.

Failure to protect or enforce our intellectual property rights could harm our business and results of operations.

We pursue the registration of our patentable technology, domain names, trademarks and service marks in the U.S. and in certain jurisdictions abroad. We also strive to protect our intellectual property rights by relying on federal, state and common law rights, as well as contractual restrictions. We typically enter into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with parties with whom we conduct business in order to limit access to, and disclosure and use of, our proprietary information. However, we may not be successful in executing these agreements with every party who has access to our confidential information or contributes to the development of our technology or intellectual property rights. Those agreements that we do execute may be breached, and we may not have adequate remedies for any such breach. These contractual arrangements and the other steps we have taken to protect our intellectual property rights may not prevent the misappropriation or disclosure of our proprietary information nor deter independent development of similar technology or intellectual property by others.

Effective trade secret, patent, copyright, trademark and domain name protection is expensive to obtain, develop and maintain, both in terms of initial and ongoing registration or prosecution requirements and expenses and the costs of defending our rights. We are seeking to protect our patentable technology, trademarks and domain names in an increasing number of jurisdictions, a process that is expensive and may not be successful or which we may not pursue in every location. We may, over time, increase our investment in protecting our intellectual property through additional patent filings that could be expensive and time-consuming. We have two patents issued and 34 pending patent applications, including three provisional applications. We do not know whether any of our pending patent applications will result in the issuance of additional patents or whether the examination process will require us to narrow our claims or we may otherwise be unable to obtain patent protection for the technology covered in our pending patent applications. Our patents, trademarks and other intellectual property rights may be challenged by others or invalidated through administrative process or litigation. Moreover, any issued patents may not provide us with a competitive advantage and, as with any technology, competitors may be able to develop similar or superior technologies to our own, now or in the future.

Additionally, in the U.S., the central provisions of the Leahy-Smith America Invents Act became effective recently. Among other things, this law switched U.S. patent rights from the former “first-to-invent” system to a “first inventor-to-file” system. This may result in inventors and companies having to file patent applications more frequently to preserve rights in their inventions. This may favor larger competitors that have the resources to file more patent applications.

Monitoring unauthorized use of the content on our websites and mobile applications, and our other intellectual property and technology, is difficult and costly. Our efforts to protect our proprietary rights and intellectual property may not have been and may not be adequate to prevent their misappropriation or misuse. Third parties from time to time copy content or other intellectual property or technology from our solutions without authorization and seek to use it for their own benefit. We generally seek to address such unauthorized copying or use, but we have not always been successful in stopping all unauthorized use of our content or other intellectual property or technology, and may not be successful in doing so in the future. Further, we may not have been and may not be able to detect unauthorized use of our technology or intellectual property, or to take appropriate steps to enforce our intellectual property rights. Our competitors may also independently develop similar technology. Effective patent, trademark, copyright and trade secret protection may not be available to us in every country in which our solutions or technology are hosted or available. The laws of some foreign countries may not be as protective of intellectual property rights as those in the U.S., and mechanisms for enforcement of

intellectual property rights may be inadequate. Further, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. The laws in the U.S. and elsewhere change rapidly, and any future changes could adversely affect us and our intellectual property. Our failure to meaningfully protect our intellectual property rights could result in competitors offering solutions that incorporate our most technologically advanced features, which could reduce demand for our solutions.

We may find it necessary or appropriate to initiate claims or litigation to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of intellectual property rights claimed by others. Litigation is inherently uncertain and any litigation of this nature, regardless of outcome or merit, could result in substantial costs and diversion of management and technical resources, any of which could adversely affect our business and operating results. If we fail to maintain, protect and enhance our intellectual property, our business and operating results may be harmed.

We may be unable to continue the use of our domain names, or prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of our brands, trademarks or service marks.

We have registered domain names for our websites that we use in our business. If we lose the ability to use a domain name, whether due to trademark claims, failure to renew the applicable registration, or any other cause, we may be forced to market our solutions under a new domain name, which could cause us substantial harm, or to incur significant expense in order to purchase rights to the domain name in question. In addition, our competitors and others could attempt to capitalize on our brand recognition by using domain names similar to ours. Domain names similar to ours have been registered in the U.S. and elsewhere. We may be unable to prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of our brands, trademarks or service marks. Protecting and enforcing our rights in our domain names may require litigation, which could result in substantial costs and diversion of management's attention.

ICANN (the Internet Corporation for Assigned Names and Numbers), the international authority over top-level domain names, recently increased the number of generic top-level domains, or "TLDs." This may allow companies or individuals to create new web addresses that appear to the right of the "dot" in a web address, beyond such long-standing TLDs as ".com," ".org" and ".gov." ICANN may also add additional TLDs in the future. As a result, we may be unable to maintain exclusive rights to all potentially relevant or desirable domain names in the United States or in other countries in which we operate, which may harm our business. Furthermore, attempts may be made by third parties to register our trademarks as new TLDs or as domain names within new TLDs, and we may be required to enforce out rights against such registration attempts, which could result in significant expense and the diversion of management's attention.

The consumer traffic to our websites and mobile applications may decline and our business may suffer if other companies copy information from our platform and publish or aggregate it with other information for their own benefit.

From time to time, other companies copy information or content from our platform, through website scraping, robots or other means, and publish or aggregate it with other information for their own benefit. When third parties copy, publish or aggregate content from our platform, it makes them more competitive, and decreases the likelihood that consumers will visit our websites or use our mobile applications to search and discover the information they seek, which could negatively affect our business, results of operations and financial condition. We may not be able to detect such third-party conduct in a timely manner or at all and, even if we are able to identify these situations, we may not be able to prevent them and have not always been able to prevent them in the past. In some cases, particularly in the case of websites operating outside of the U.S., our available remedies may be inadequate to protect us against such practices. In addition, we may be required to expend significant financial or other resources to successfully enforce our rights.

We rely on information technology to operate our business and maintain competitiveness, and any failure to adapt to technological developments or industry trends could harm our business.

We depend on the use of information technologies and systems. As our operations grow in size and scope, we must continuously improve and upgrade our systems and infrastructure while maintaining or improving the reliability and integrity of our infrastructure. Our future success also depends on our ability to adapt our systems and infrastructure to meet rapidly evolving consumer trends and demands while continuing to improve the performance, features and reliability of our solutions in response to competitive services and product offerings. The emergence of alternative platforms such as smartphones and tablets and the emergence of niche competitors who may be able to optimize products, services or strategies for such platforms will require new investment in technology. New developments in other areas, such as cloud computing, could also make it easier for competition to enter our markets due to lower up-front technology costs. In addition, we may not be able to maintain our existing systems or replace or introduce new technologies and systems as quickly as we would like or in a cost-effective manner.

Some of our solutions contain open source software, which may pose particular risks to our proprietary software and solutions.

We use open source software in our solutions and will use open source software in the future. Some licenses governing our use of open source software contain requirements that we make available source code for modifications or derivative works we create based upon the open source software, and that we license such modifications or derivative works under the terms of a particular open source license or other license granting third parties certain rights of further use. By the terms of certain open source licenses, we could be required to release the source code of our proprietary software, and to make our proprietary software available under open source licenses, if we combine our proprietary software with open source software in certain manners. Although we monitor our use of open source software, we cannot assure you that all open source software is reviewed prior to use in our solutions, that our programmers have not incorporated open source software into our solutions, or that they will not do so in the future. Additionally, the terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts. There is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market or provide our solutions. In addition, the terms of open source software licenses may require us to provide software that we develop using such open source software to others on unfavorable license terms. As a result of our current or future use of open source software, we may face claims or litigation, be required to release our proprietary source code, pay damages for breach of contract, re-engineer our solutions, discontinue making our solutions available in the event re-engineering cannot be accomplished on a timely basis or take other remedial action. Any such re-engineering or other remedial efforts could require significant additional research and development resources, and we may not be able to successfully complete any such re-engineering or other remedial efforts. Further, in addition to risks related to license requirements, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a negative effect on our business, financial condition and operating results.

We are subject to international business uncertainties that could adversely affect our operations and operating results.

Our net revenues from operations outside the U.S. comprised 20.6% of our net revenues in 2013, and we expect this percentage to increase in the future. Currently, we have operations in the U.K., France, the Netherlands and Germany. We intend to expand our existing operations in these countries as well as establish a presence in additional countries to grow our international sales. Operating in foreign countries requires significant resources and management attention, and we have limited experience entering new geographic markets. In addition, the varying commercial and Internet infrastructure in other countries may make it difficult

for us to replicate our business model. In many countries, we compete with local companies that have more experience in their respective markets than we do, and we may not benefit from first-to-market advantages. To achieve widespread acceptance in new countries and markets, we must continue to tailor our solutions and business model to the unique circumstances of such countries and markets, which can be difficult and costly. Failure to adapt practices and models effectively to each country into which we expand could slow our international growth. We cannot assure you that our international efforts will be successful. International sales and operations may be subject to risks such as:

- competition with local or foreign companies entering the same markets;
- the cost and resources required to localize our solutions, while maintaining retailer and consumer satisfaction such that our marketplace will continue to attract high quality retailers;
- difficulties in staffing and managing foreign operations due to distance, time zones, language and cultural differences;
- higher product return rates;
- burdens of complying with a wide variety of laws and regulations, including regulation of digital coupon terms, Internet services, privacy and data protection, bulk emailing and anti-competition regulations, which may limit or prevent us from offering of our solutions in some jurisdictions or limit our ability to enforce contractual obligations;
- adverse tax effects and foreign exchange controls making it difficult to repatriate earnings and cash;
- political and economic instability;
- terrorist activities and natural disasters;
- differing employment practices and laws and labor disruptions;
- technology compatibility;
- credit risk and higher levels of payment fraud;
- increased financial accounting and reporting burdens and complexities and difficulties in implementing and maintaining adequate internal controls;
- slower adoption of the Internet as an advertising, broadcast and commerce medium in certain of those markets as compared to the U.S.;
- lower levels of consumer spending and fewer opportunities for growth compared to the U.S.;
- preference for local vendors; and
- different or lesser degrees of intellectual property protection.

In addition, the U.S. has in the past proposed, and is currently evaluating, changes to the corporate tax structure that would include taxation of offshore earnings of U.S. businesses. If this were to occur, our effective tax rates would likely increase. Further, we are subject to U.S. and foreign legislation, such as the Foreign Corrupt Practices Act and the U.K. Bribery Act. While we maintain high standards of ethical conduct, our policies, training and monitoring of compliance with applicable anti-corruption laws are at a very early stage of development. If any of our employees or agents were to violate these laws in the conduct of our business, we could be subject to substantial penalties and our reputation could be impaired.

These factors could have an adverse effect on our net revenues from advertisers located outside the U.S. and, consequently, on our business and operating results.

We may be unable to identify suitable acquisition candidates, effectively integrate newly acquired businesses, or achieve expected operating results from acquisitions.

Part of our growth strategy is to increase our net revenues and improve our operating results through the acquisition of similar or complementary businesses. There can be no assurance that suitable candidates for acquisitions will be identified or, if suitable candidates are identified, that acquisitions can be completed on acceptable terms, if at all.

Since our inception, we have completed more than 10 acquisitions, and we may continue to make acquisitions in the future. Our success will depend in part on our ability to identify, negotiate, and complete acquisitions, and integrate the acquired businesses and, if necessary, satisfactory debt or equity financing to fund those acquisitions. As is the case with our current facility, if we finance an acquisition with debt financing, we will incur interest expense and may have to comply with financing covenants or secure the debt obligations with our assets. Mergers and acquisitions are inherently risky, and any mergers and acquisitions we complete may not be successful. Any mergers and acquisitions we undertake in the future would involve numerous risks, any of which could have a material adverse effect on our business and the market price of our common stock, including the following:

- use of cash resources and incurrence of debt and contingent liabilities in funding acquisitions, which may limit our operational flexibility and other potential uses of our cash, including stock repurchases, dividend payments and retirement of outstanding indebtedness;
- expected and unexpected costs incurred in identifying and pursuing acquisitions and performing due diligence on potential acquisition targets that may or may not be successful;
- failure of the acquired company to achieve anticipated consumer traffic, revenue, earnings or cash flows;
- our responsibility for the liabilities of the businesses we acquire, including the assumption of liabilities that were not disclosed to us or that exceed our estimates;
- difficulties in integrating and managing the combined operations, technologies and solutions;
- failure to identify all of the problems, liabilities or other shortcomings or challenges of an acquired company, including issues related to intellectual property, solution quality or architecture, regulatory compliance practices, revenue recognition or other accounting practices or employee or customer issues;
- diversion of management's attention or other resources from our existing business;
- inability to maintain the key business relationships and the reputations of the businesses we acquire;
- difficulties in assigning or transferring technology or intellectual property licensed by acquired companies from third parties to us or our subsidiaries;
- uncertainty of entry into markets in which we have limited or no prior experience or in which competitors have stronger market positions;
- our dependence on unfamiliar retailers or performance marketing networks of the companies we acquire;
- insufficient incremental revenue to offset our increased expenses associated with acquisitions;
- our inability to maintain internal standards, controls, procedures and policies;
- challenges in integrating and auditing the financial statements of acquired companies that have not historically prepared financial statements in accordance with U.S. generally accepted accounting principles;
- impairment of goodwill or other intangible assets such as trademarks or other intellectual property arising from acquisitions;

- amortization of expenses related to acquired intangible assets and other adverse accounting consequences;
- potential loss of key employees from the companies we acquire; and
- dilution of our stockholders' ownership interests if we finance all or a portion of the purchase price of any acquisition by issuing equity.

Further, we rely heavily on the representations and warranties provided to us by the sellers of acquired companies, including as they relate to creation of, ownership of and rights in intellectual property, existence of open source code, existence of encumbrances and operating restrictions and compliance with laws and contractual requirements. If any of these representations and warranties are inaccurate or breached, such inaccuracy or breach could result in costly litigation and assessment of liability for which there may not be adequate recourse against such sellers, in part due to contractual time limitations and limitations of liability.

We may need additional capital in the future, which may not be available to us on favorable terms, or at all, and may dilute your ownership of our Series 1 common stock.

We have an aggregate of 85,237,671 shares of Series 1 common stock authorized but unissued and not reserved for issuance under our stock option plans or otherwise. We may issue all of these shares without any action or approval by our stockholders, subject to certain limitations of the NASDAQ Global Select Market. We may require additional capital from equity or debt financing in the future in order to take advantage of strategic opportunities, or to support our existing business. We may not be able to secure timely additional financing on favorable terms, or at all. The terms of any additional financing may place limits on our financial and operating flexibility, including our ability to issue or repurchase equity, develop new or enhanced existing products, complete acquisitions or otherwise take advantage of business opportunities. If we raise additional funds or finance acquisitions through further issuances of equity, convertible debt securities or other securities convertible into equity, you and our other stockholders could suffer significant dilution in your percentage ownership of our company, and any new securities we issue could have rights, preferences and privileges senior to those of holders of our Series 1 common stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us, if and when we require it, our ability to grow or support our business and to respond to business challenges could be significantly limited.

If our management team does not remain with us in the future, our business, operating results and financial condition could be adversely affected.

We have been successful in attracting a knowledgeable and talented management team. Our future success depends in large part on our ability to attract and retain high-quality management and operating personnel. Our senior management team's in-depth knowledge of and deep relationships with the participants in our industry are extremely valuable to us. Our business also requires skilled technical and marketing personnel, who are in high demand and are often subject to competing offers. Competition for qualified employees is intense in our industry, and the loss of even a few qualified employees, or an inability to attract, retain and motivate additional highly skilled employees required for the planned expansion of our business, could harm our operating results and impair our ability to grow.

To attract and retain key personnel, we use various measures, including an equity incentive program and incentive bonuses for executive officers and other employees. These measures may not be enough to attract and retain the personnel we require to operate our business effectively. We also have a number of employees who were granted stock options over the past few years that have an exercise price per share that is significantly lower than the current fair market value. If we are successful as a public company, these employees may choose to exercise their options and sell the shares, recognizing a substantial gain. As a result, it may be difficult for us to retain such employees.

Our management team has limited experience managing a public company, and regulatory compliance may divert its attention from the day-to-day management of our business.

Some of the individuals who now constitute our management team have limited experience managing a publicly traded company and limited experience complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently manage our continued transition to a public company that will be subject to significant regulatory oversight and reporting obligations under the federal securities laws. In particular, these new obligations will require substantial attention from our senior management and could divert their attention away from the day-to-day management of our business, which could materially and adversely impact our business operations.

Our management team has a limited history of working together and may not be able to execute our business plan.

Our management team has worked together for only a limited period of time and has a limited track record of executing our business plan as a team. In addition, we have recently filled a number of positions in our senior management and finance and accounting staff. Accordingly, certain key personnel have only recently assumed the duties and responsibilities they are now performing, and it is difficult to predict whether our management team, individually and collectively, will be effective in operating our business.

If we are unable to attract additional partner management and sales representatives, or if a significant number of our partner manager or sales representatives leave us, our ability to increase our net revenues could be negatively impacted.

Our ability to expand our business will depend, in part, on our ability to attract additional partner management and sales representatives. Competition for qualified partner managers and sales representatives can be intense, and we may be unable to hire additional team members when we need them or at all. Any difficulties we experience in attracting additional partner managers or sales representatives could have a negative impact on our ability to expand our retailer base, increase net revenues and continue our growth.

In addition, we must retain our current partner management and sales representatives and properly incentivize them to obtain new retailer relationships. If a significant number of our partner managers and sales representatives were to leave us or join our competitors, our net revenues could be negatively impacted. In certain circumstances, we have entered into agreements with our partner managers and sales representatives that contain non-compete provisions to mitigate this risk, but we may need to litigate to enforce our rights under these agreements, which could be time-consuming, expensive and ineffective. A significant increase in the turnover rate among our current partner managers or sales representatives could also increase our recruiting costs and decrease our operating efficiency, which could lead to a decline in our net revenues and profitability.

If we cannot maintain our corporate culture as we grow, we could lose the innovation, teamwork and focus that contribute to our business.

We believe that a critical component of our success has been our corporate culture, which we believe fosters innovation, encourages teamwork, cultivates creativity and promotes focus on execution. We have invested substantial time, energy and resources in building a highly collaborative team that works together effectively in an environment designed to promote openness, honesty, mutual respect and the pursuit of common goals. As we continue to develop the infrastructure of a public company and continue to grow, we may find it difficult to maintain these valuable aspects of our corporate culture and to attract competent personnel who are willing to embrace our culture. Any failure to preserve our culture could negatively impact our future success, including our ability to attract and retain personnel, encourage innovation and teamwork and effectively focus on and pursue our corporate objectives.

The intended tax benefits of our corporate structure and intercompany arrangements depend on the application of the tax laws of various jurisdictions and on how we operate our business.

Our corporate structure and intercompany arrangements, including the manner in which we develop and use our intellectual property and the transfer pricing of our intercompany transactions, are intended to reduce our worldwide effective tax rate. We are currently implementing a restructuring of our non-U.S. entities to streamline our European operations, effective January 1, 2014, and we may implement other such structures and arrangements in the future. The application of the tax laws of various jurisdictions, including the U.S., to our international business activities is subject to interpretation and depends on our ability to operate our business in a manner consistent with our corporate structure and intercompany arrangements. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for valuing developed technology or intercompany arrangements, including our transfer pricing, or determine that the manner in which we operate our business does not achieve the intended tax consequences, which could increase our worldwide effective tax rate and harm our financial position and results of operations. In order to effectively structure and execute our international tax strategy we will need to continue to hire, train and manage qualified personnel. If our new hires underperform, or if we are unsuccessful in hiring, training, managing and integrating these new employees, our business may be harmed.

Our corporate structure includes legal entities located in jurisdictions with income tax rates lower than the U.S. statutory tax rate. Our intercompany arrangements allocate income to such entities in accordance with arm's-length principles and commensurate with functions performed, risks assumed and ownership of valuable corporate assets. We believe that income taxed in certain foreign jurisdictions at a lower rate relative to the U.S. statutory rate will have a beneficial impact on our worldwide effective tax rate.

Significant judgment is required in evaluating our tax positions and determining our provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. For example, our effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates and higher than anticipated in countries where we have higher statutory rates, by changes in foreign currency exchange rates or by changes in the relevant tax, accounting and other laws, regulations, principles and interpretations. As we operate in numerous taxing jurisdictions, the application of tax laws can be subject to diverging and sometimes conflicting interpretations by tax authorities of these jurisdictions. It is not uncommon for taxing authorities in different countries to have conflicting views, for instance, with respect to, among other things, the manner in which the arm's length standard is applied for transfer pricing purposes, or with respect to the valuation of intellectual property. In addition, tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied. In particular, there is uncertainty in relation to the U.S. tax legislation in terms of the future corporate tax rate but also in terms of the U.S. tax consequences of income derived from intellectual property held overseas in low tax jurisdictions.

Our existing corporate structure and intercompany arrangements have been implemented in a manner we believe is in compliance with current prevailing tax laws. However, the tax benefits which we intend to derive from our current and any future intercompany arrangements could be undermined if we are unable to adapt the manner in which we operate our business and if tax laws change.

The enactment of legislation implementing changes in the U.S. taxation of international business activities or the adoption of other tax reform policies could materially impact our financial condition and results of operations.

The current administration has made public statements indicating that it has made international tax reform a priority, and key members of the U.S. Congress have conducted hearings and proposed new legislation. Recent changes to U.S. tax laws, including limitations on the ability of taxpayers to claim and utilize foreign tax credits and the deferral of certain tax deductions until earnings outside of the U.S. are repatriated to the U.S., as well as

changes to U.S. tax laws that may be enacted in the future, could impact the tax treatment of our foreign earnings, as well as cash and cash equivalent balances we currently maintain outside of the U.S. Due to the expanding scale of our international business activities, any changes in the U.S. taxation of such activities may increase our worldwide effective tax rate and harm our financial condition and results of operations.

We rely on performance marketing networks and retailers to determine the amount payable to us accurately. If their reports are inaccurate or delayed, our operating results could be harmed and we could experience fluctuations in our performance.

Our performance marketing networks and retailers typically pay us on a monthly basis based upon sales generated from digital coupons. We rely on our performance marketing networks and retailers to report accurately and in a timely manner the amount of commission revenues earned by us. We calculate our net revenues, prepare our financial reports, projections and budgets and direct our advertising, marketing and other operating efforts based on reports we receive from our performance marketing networks and retailers. It is difficult for us to determine independently whether our performance marketing networks or retailers are reporting all revenue data due to us. We have occasionally experienced instances of incomplete or delayed reports from our performance marketing networks and retailers, and we generally do not have the contractual right to audit our performance marketing networks or retailers. To the extent that our performance marketing networks or retailers fail to report accurately the amount of net revenues payable to us in a timely manner or at all, we will not recognize and collect net revenues to which we are entitled, which could harm our operating results. If we are allowed to audit a performance marketing network or retailer and do so, or if we otherwise dispute the accuracy of a revenue report a performance marketing network or retailer has delivered to us, our recognition of net revenues to which we may ultimately be entitled could be delayed. Conversely, if a performance marketing network or retailer delivers a report overstating the amount of net revenues earned by us in one period and attempts to reverse the overpayment in a subsequent period, whether by seeking a refund from us or reducing a future payment due to us, our recognition of revenue could be overstated. Any such delay or overstatement in our revenue recognition could harm our business and operating results.

We obtain the revenue reporting information from our performance marketing networks using a variety of methods, including the use of file transfer protocol file feeds, various application programming interfaces provided by the performance marketing networks and manual downloads of data from the performance marketing networks' web portals. However, we currently use only file transfer protocol file feeds and manual downloads when collecting the data we use to record our net revenues. The use of these methods inherently subjects us to lower levels of internal control over revenue data, which could result in a misstatement of our net revenues. We are in the process of converting our method of collecting a substantial portion of the data necessary to record our net revenues. We intend to automate this process by using the various application programming interfaces provided by the performance marketing networks. While we have developed detailed testing plans for the conversion to this new method, there is an inherent risk that some errors may go undetected for a period of time following conversion, which could result in a misstatement of our net revenues.

If we are unable to comply with all covenants of our current and future debt arrangements, and if our lenders fail to waive any violation of those covenants by us, we could be subject to substantial penalties, which would impair our ability to operate and adversely affect our operating results.

We currently have a term debt facility that provides us with cash, which we use to fund our operations and which requires us to comply with a number of restrictive covenants. We may enter into other debt arrangements in the future, which may contain similar or additional restrictive covenants. We are currently subject to covenants related to minimum trailing twelve-month EBITDA levels, a funded debt to EBITDA ratio, a fixed charge coverage ratio (each as more fully described in our amended and restated revolving credit and term loan agreement), and the defense of our intellectual and other property, among others. We may become subject to additional covenants in connection with future debt arrangements. If we are unable to comply with one or more covenants applicable to us and our lenders are unwilling to waive our noncompliance, our lenders may have the

right to terminate their commitments to lend to us, cause all amounts outstanding to become due and payable immediately, sell certain of our assets which are collateral for our obligations and take other measures which may impair our operations. If funds under our loan arrangements become unavailable or if we are forced unexpectedly to repay amounts outstanding under our loan arrangements, our assets and cash flow may be insufficient to make such repayments or may leave us with insufficient funds to continue our operations as planned and would have a material adverse effect on our business.

We are subject to currency exchange risk in connection with our international business operations.

Cash inflows and outflows in our international operations are typically denominated in currencies other than the U.S. dollar, which is our functional currency for financial reporting purposes. For 2013, 2012 and 2011, approximately 20.6%, 17.1% and 9.7%, respectively, of our net revenues were denominated in such foreign currencies. Our reliance on foreign currencies subjects our financial results to fluctuations in currency exchange rates and changes in the proportion of our net revenues and expenses attributable to each of our foreign locations. We recognized a foreign exchange gain of $0.7 million in 2013. In addition, we expect our exposure to fluctuations in foreign exchange rates to increase as we expand our business in existing and new international markets. Although we do not currently engage in any hedging activities relating to foreign currency, we may in the future enter into hedging arrangements in order to manage foreign currency translation but such activity may not completely eliminate fluctuations in our operating results. Foreign currency exchange rate fluctuations could adversely impact our profitability.

We may be required to record a significant charge to earnings if our goodwill or amortizable intangible assets become impaired.

We are required under GAAP to review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or any other significant adverse change that would indicate that the carrying amount of an asset or group of assets may not be recoverable. The events and circumstances we consider include the business climate, legal factors, operating performance indicators and competition. We may be required to record a significant charge to earnings in our consolidated financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined. This could adversely impact our results of operations.

Risks Related to Ownership of Our Common Stock

Our stock price may be volatile

The trading price of our common stock has been, and is likely to continue to be, highly volatile and could be subject to wide fluctuations in response to various factors, including the risk factors described in this "Risk Factors" section and elsewhere in this Annual Report on Form 10-K, and other factors beyond our control. Factors affecting the trading price of our common stock include:

- variations in our operating results or the operating results of similar companies;
- announcements of technological innovations, new services or service enhancements and strategic alliances or agreements by us or by our competitors;
- marketing and advertising initiatives by us or our competitors;
- the gain or loss of retailer relationships;
- threatened or actual litigation;
- major changes in our management;

- recruitment or departure of key personnel;
- changes in the estimates of our operating results or changes in recommendations by any securities analysts that follow our Series 1 common stock;
- market conditions in our industry, the industries of our customers and the economy as a whole;
- the overall performance of the equity markets;
- sales of shares of our Series 1 common stock by existing stockholders;
- volatility in our stock price, which may lead to higher stock-based compensation expense under applicable accounting standards;
- adoption or modification of regulations, policies, procedures or programs applicable to our business; and
- the market's reaction to our reduced disclosure as a result of being an emerging growth company under the JOBS Act.

In addition, the stock market in general and the market for e-commerce companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors may harm the market price of our Series 1 common stock regardless of our actual operating performance. Each of these factors, among others, could adversely affect your investment in our Series 1 common stock. Some companies that have had volatile market prices for their securities have had securities class action lawsuits filed against them. If a suit were filed against us, regardless of its merits or outcome, it could result in substantial costs and divert management's attention.

Insiders have substantial control over us, and this control may limit our stockholders' ability to influence corporate matters and delay or prevent a third party from acquiring control over us.

As of January 31, 2014, our directors and executive officers and their affiliates beneficially owned, in the aggregate, approximately 38.8% of our outstanding Series 1 common stock. Further, C. Thomas Ball, a member of our board of directors and a general partner of Austin Ventures, and Jeffrey M. Crowe, a member of our board of directors and a general partner of Norwest Venture Partners, held an aggregate of approximately 19.4% and 10.2% of our Series 1 common stock, respectively. This significant concentration of ownership may adversely affect the trading price for our Series 1 common stock because investors often perceive disadvantages in owning stock in companies with controlling stockholders. In addition, these stockholders will be able to exercise influence over all matters requiring stockholder approval, including the election of directors and approval of corporate transactions, such as a merger or other sale of our company or its assets. This concentration of ownership could limit your ability to influence corporate matters and may have the effect of delaying or preventing a change in control, including a merger, consolidation or other business combination involving us, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control, even if that change in control would benefit our other stockholders.

Our stock price could decline due to the large number of outstanding shares of our common stock eligible for future sale.

Sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could cause the market price of our common stock to decline. These sales could also make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

As of January 31, 2014, we had 52,744,984 shares of common stock outstanding. The 17,661,751 shares sold in our initial public offering and our follow-on offering are were immediately tradable without restriction. In addition, on January 15, 2014, 3,444,325 shares became tradable without restriction upon the expiration of

lock-up agreements executed in connection with our initial public offering. On March 12, 2014, 31,265,320 shares will be eligible for sale upon the expiration of lock-up agreements executed in connection with our follow-on offering, subject in some cases to volume and other restrictions under Rules 144 and 701 under the Securities Act of 1933, as amended, or the Securities Act, and various vesting agreements. The representatives of the underwriters may, in their sole discretion and at any time without notice, release all or any portion of the securities subject to lock-up agreements.

On August 7, 2013, we registered 10,262,195 shares of our Series 1 common stock that we have issued or may issue under our equity plans, which shares will be eligible for sale upon the expiration of lock-up agreements, subject in some cases to volume and other restrictions under Rules 144 and 701 under the Securities Act, and various vesting agreements. In addition, some of our employees, including some of our named executive officers, have entered into 10b5-1 trading plans regarding sales of shares of our Series 1 common stock. These plans provide for sales to occur from time to time after the expiration of the lock-up period related to our initial public offering, or with respect to any employee who has entered into a 10b5-1 trading plan that also participated as a selling stockholder in our follow-on offering, after March 31, 2014. If these additional shares are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline.

As of January 31, 2014, holders of approximately 56.9% of our common stock were entitled to rights with respect to the registration of these shares under the Securities Act. If we register their shares of common stock following the expiration of the lock-up agreements, these stockholders could sell those shares in the public market without being subject to the volume and other restrictions of Rule 144 and Rule 701.

We have incurred and will continue to incur significant increased expenses and administrative burdens as a public company, which could have a material adverse effect on our operations and financial results.

We face increased legal, accounting, administrative and other costs and expenses as a public company that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, including the requirements of Section 404, as well as rules and regulations subsequently implemented by the Securities and Exchange Commission, or SEC, the Public Company Accounting Oversight Board and the NASDAQ Global Select Market, impose additional reporting and other obligations on public companies. Compliance with public company requirements has increased our costs and made some activities more time-consuming. A number of those requirements require us to carry out activities we have not done previously. For example, we have created new board committees and adopted new internal controls and disclosure controls and procedures. In addition, we have incurred and will continue to incur additional expenses associated with our SEC reporting requirements. Furthermore, if we identify any issues in complying with those requirements (for example, if we or our auditors identify a material weakness or significant deficiency in our internal control over financial reporting), we could incur additional costs rectifying those issues, and the existence of those issues could adversely affect us, our reputation or investor perceptions of us. Risks associated with our status as a public company may make it more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers. We expect that the additional reporting and other obligations imposed on us by these rules and regulations will increase our legal and financial compliance costs and the costs of our related legal, accounting and administrative activities by approximately $2.0 million per year. These increased costs will require us to divert a significant amount of money that we could otherwise use to expand our business and achieve our strategic objectives. Advocacy efforts by stockholders and third parties may also prompt additional changes in governance and reporting requirements, which could further increase our costs.

If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, our ability to operate our business and investors' views of us.

Ensuring that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be re-evaluated frequently. Our internal control over financial reporting is a process designed to provide

reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. We are in the process of documenting, reviewing and improving our internal controls and procedures for compliance with Section 404 of the Sarbanes-Oxley Act, which requires annual management assessment of the effectiveness of our internal control over financial reporting. If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, harm our ability to operate our business, and reduce the trading price of our stock.

As an "emerging growth company" under the JOBS Act, we are permitted to, and intend to, rely on exemptions from certain disclosure requirements, which could make our common stock less attractive to investors.

As an "emerging growth company" under the JOBS Act, we are permitted to, and intend to, rely on exemptions from certain disclosure requirements. In particular, we do not intend to include all of the executive compensation related information that would be required in our proxy statement if we were not an emerging growth company. In addition, for so long as we are an emerging growth company, we will not be required to:

- have an auditor report on our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act;
- comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding a supplement to the auditor's report providing additional information about the audit and the financial statements (auditor discussion and analysis); and
- submit certain executive compensation matters to shareholder advisory votes, such as "say on pay" and "say on frequency."

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. An emerging growth company can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies.

Although we intend to rely on the exemptions provided in the JOBS Act, the exact implications of the JOBS Act for us are still subject to interpretations and guidance by the SEC and other regulatory agencies. Also, as our business grows, we may no longer satisfy the conditions of an emerging growth company. We will remain an "emerging growth company" until the earliest of (i) the last day of the fiscal year during which we have total annual gross revenues of $1 billion or more; (ii) December 31, 2018; (iii) the date on which we have, during the previous three-year period, issued more than $1 billion in non-convertible debt; and (iv) the date on which we are deemed to be a "large accelerated filer" under the Exchange Act. We will be deemed a large accelerated filer on the first day of the fiscal year after the market value of our common equity held by non-affiliates exceeds $700 million, measured on June 30. We are currently evaluating and monitoring developments with respect to these new rules, and we cannot assure you that we will be able to enjoy part or all of the benefits from the JOBS Act. We cannot predict whether investors will find our common stock less attractive to the extent we rely on the exemptions available to emerging growth companies. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

If securities or industry analysts do not continue to publish research or publish unfavorable or misleading research about our business, our stock price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who covers us downgrades our

stock or publishes unfavorable or misleading research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, we could lose visibility in the market for our stock and demand for our stock could decrease, which could cause our stock price or trading volume to decline.

Anti-takeover provisions in our charter documents and Delaware law could discourage, delay or prevent a change in control of our company and may affect the trading price of our Series 1 common stock.

We are a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law, which apply to us, may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the stockholder becomes an interested stockholder, even if a change in control would be beneficial to our existing stockholders. In addition, our amended and restated certificate of incorporation and amended and restated bylaws may discourage, delay or prevent a change in our management or control over us that stockholders may consider favorable. Our amended and restated certificate of incorporation and amended and restated bylaws:

- authorize the issuance of "blank check" preferred stock that could be issued by our board of directors to defend against a takeover attempt;
- establish a classified board of directors, as a result of which the successors to the directors whose terms have expired will be elected to serve from the time of election and qualification until the third annual meeting following their election;
- require that directors only be removed from office for cause and only upon a supermajority stockholder vote;
- provide that vacancies on the board of directors, including newly created directorships, may be filled only by a majority vote of directors then in office rather than by stockholders;
- prevent stockholders from calling special meetings; and
- prohibit stockholder action by written consent, requiring all actions to be taken at a meeting of the stockholders.

We currently do not intend to pay dividends on our common stock and, consequently, your only opportunity to achieve a return on your investment is if the price of our Series 1 common stock appreciates.

We currently do not plan to declare dividends on shares of our common stock in the foreseeable future. Any payment of future dividends will be at the discretion of our board of directors, subject to compliance with certain covenants contained in our credit facility, which limit our ability to pay dividends, and will depend on our financial condition, results of operations, capital requirements, general business conditions, and other factors that our board of directors may deem relevant. Consequently, your only opportunity to achieve a return on your investment in our company will be if the market price of our common stock appreciates and you sell your shares at a profit.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our principal executive offices are located in Austin, Texas, where we lease approximately 75,526 square feet of office space under a lease that expires on July 31, 2020. We also lease office space in London, England; Paris, France; Vannes, France; Amsterdam, the Netherlands; and Berlin, Germany. Our primary data centers are located in Virginia and California. We believe our current and planned office facilities and data center space will be adequate for our needs for the foreseeable future.

For additional information regarding obligations under operating leases, see Note 8 of the Notes to Consolidated Financial Statements included in Part II, Item 8: "Financial Statements" of this Annual Report on Form 10-K.

Item 3. Legal Proceedings.

From time to time, we may become involved in litigation related to claims arising from the ordinary course of our business. We believe that there are no claims or actions pending or threatened against us, the ultimate disposition of which would have a material adverse effect on us.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our Series 1 common stock has been listed on the NASDAQ Global Select Market under the symbol "SALE" since July 19, 2013. Prior to that date, there was no public trading market for our Series 1 common stock. Our Series 1 common stock priced at $21.00 per share in our initial public offering on July 18, 2013. The following table sets forth for the periods indicated the high and low intra-day sale prices per share of our Series 1 common stock as reported on the NASDAQ Global Select Market:

	Low	High
Third Quarter (from July 19, 2013)	$26.12	$39.50
Fourth Quarter	$25.51	$36.30

On January 31, 2014, the last reported sale price of our Series 1 common stock on the NASDAQ Global Select Market was $35.41 per share, and there were 35 holders of record of our Series 1 and Series 2 common stock. The actual number of holders of Series 1 and Series 2 common stock is greater than these numbers of record holders and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and nominees. The number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

Use of Proceeds from Initial Public Offering and Follow-on Offering of Common Stock

On July 24, 2013, we closed our initial public offering of 10,454,544 shares of Series 1 common stock, at a price of $21.00 per share, before underwriting discounts and commissions. We sold 4,545,454 of such shares and existing stockholders sold an aggregate of 5,909,090 of such shares, including 1,363,636 shares sold by selling stockholders as a result of the underwriters' exercise of their over-allotment option to purchase additional shares. The offer and sale of all of the shares in the initial public offering were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-189397), which was declared effective by the SEC on July 18, 2013. Following the sale of the shares in connection with the closing of our initial public offering, the offering terminated. Morgan Stanley & Co. LLC, Goldman Sachs & Co., Credit Suisse Securities (USA) LLC, Jefferies LLC, RBC Capital Markets Corporation, Stifel, Nicolaus & Company, Incorporated and William Blair & Company, L.L.C. acted as the underwriters. Our initial public offering generated net proceeds to us of approximately $85.4 million, after deducting underwriting discounts and commissions. No payments were made by us to directors, officers or persons owning ten percent or more of our common stock or to their associates, or to our affiliates, other than (i) payments of dividends and (ii) payments in the ordinary course of business to officers for salaries and to non-employee directors as compensation for board or board committee service. We did not receive any proceeds from the sale of shares by the selling stockholders in our initial public offering.

On December 16, 2013, we closed our follow-on offering of 7,207,207 shares of Series 1 common stock, at a price of $26.00 per share, before underwriting discounts and commissions. We sold 2,000,000 of such shares and existing stockholders sold an aggregate of 5,207,207 of such shares, including 940,070 shares sold by selling stockholders as a result of the underwriters' exercise of their option to purchase additional shares. The offer and sale of all of the shares in the follow-on offering were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-192632), which was declared effective by the SEC on December 11, 2013. Following the sale of the shares in connection with the closing of our follow-on offering, the offering terminated. Goldman Sachs & Co., Morgan Stanley & Co. LLC, Credit Suisse Securities (USA) LLC, Jefferies LLC, RBC Capital Markets Corporation, Stifel, Nicolaus & Company, Incorporated and William Blair & Company, L.L.C. acted as the underwriters. The follow-on offering generated net proceeds to us of $49.1

million, after deducting underwriting discounts and commissions. No payments were made by us to directors, officers or persons owning ten percent or more of our common stock or to their associates, or to our affiliates, other than payments in the ordinary course of business to officers for salaries and to non-employee directors as compensation for board or board committee service. We did not receive any proceeds from the sale of shares by the selling stockholders in the follow-on offering.

With the net proceeds of our initial public offering and our follow-on offering, we (i) paid in full accumulated dividends on our previously outstanding shares of preferred stock, which totaled approximately $52.5 million, (ii) repaid the outstanding principal and accrued interest on seller notes issued in connection with our acquisition of eConversions Limited in 2011, which totaled approximately $6.6 million, (iii) repaid $1.75 million of our senior debt in October 2013, (iv) acquired the business of YSL Ventures, Inc. in October 2013 for approximately $11.6 million in cash consideration and entered into deferred compensation arrangements with the former owners of YSL Ventures, Inc., which totaled approximately $6.2 million and (v) repaid $1.75 million of our senior debt in January 2014.

There have been no material changes in the planned use of proceeds from our initial public offering and our follow-on offering from that described in our final prospectuses filed with the SEC pursuant to Rule 424(b).

Dividend Policy

We have never declared or paid any cash dividends on our common stock. Neither Delaware law nor our amended and restated certificate of incorporation requires our board of directors to declare dividends on our common stock. Any future determination to declare cash dividends on our common stock will be made at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors may deem relevant. We do not anticipate paying cash dividends on our common stock for the foreseeable future.

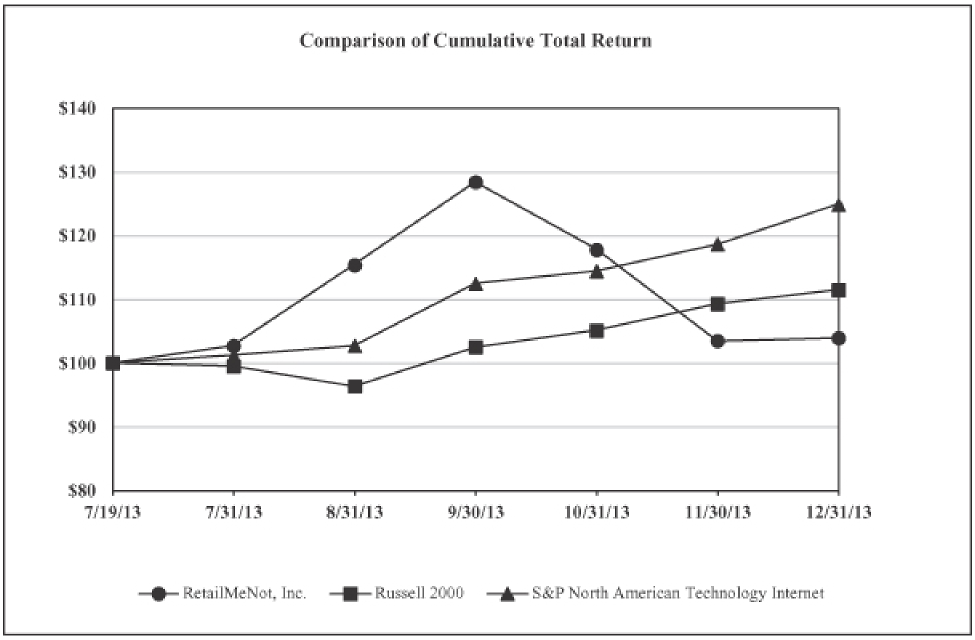
Equity Compensation Plan Information

Information regarding the securities authorized for issuance under our equity compensation plans will be included in our Proxy Statement relating to our 2013 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2013, and is incorporated herein by reference.

Performance Graph

Notwithstanding any statement to the contrary in any of our filings with the SEC, the following information shall not be deemed "filed" with the SEC or "soliciting material" under the Securities Exchange Act of 1934 and shall not be incorporated by reference into any such filings irrespective of any general incorporation language contained in such filing.

The following graph compares the total cumulative stockholder return on our common stock with the total cumulative return of the Russell 2000 Index and the S&P North American Technology Internet Index during the period commencing on July 19, 2013, the initial trading day of our Series 1 common stock, and ending on December 31, 2013. The graph assumes a $100 investment at the beginning of the period in our Series 1 common stock, the stocks represented in the Russell 2000 Index and the stocks represented in the S&P North American Technology Internet Index, and reinvestment of any dividends. The S&P North American Technology Internet Index is a modified-capitalization weighted index of stocks representing the Internet industry, including Internet content and access providers, Internet software and services companies and e-commerce companies. Historical stock price performance should not be relied upon as an indication of future stock price performance.



Item 6. Selected Financial Data.

The tables on the following pages set forth the consolidated financial and operating data as of and for the periods indicated. Financial information for periods prior to 2010 has not been provided as we had no significant operations prior to 2010. The consolidated statements of operations data presented below for the years ended December 31, 2013, 2012, 2011 and 2010 and the consolidated balance sheet data as of December 31, 2013, 2012 and 2011 have been derived from the audited consolidated financial statements that are included in Part II, Item 8: "Financial Statements."

We acquired the businesses of RetailMeNot.com in November 2010, VoucherCodes.co.uk in August 2011, Bons-de-Reduction.com and Poulpeo.com in May 2012, Actiepagina.nl in March 2013, Ma-Reduc.com in July 2013 and YSL Ventures in October 2013. The consolidated statements of operations, balance sheets and statements of cash flows include the results of businesses acquired from the effective date of the acquisition for accounting purposes.

The following information should be read in conjunction with our consolidated financial statements and related notes, the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the other information included elsewhere in this filing. Our historical results are not necessarily indicative of our future results.

	Year Ended December 31,			
	2013	2012	2011	2010
	(in thousands, except per share amounts)			
Consolidated Statements of Operations Data:				
Net revenues	$209,836	$144,685	$ 80,402	$ 16,862
Costs and expenses:				
Cost of net revenues	13,049	9,113	3,980	1,848
Product development	30,566	14,481	4,388	658
Sales and marketing	70,303	40,672	15,341	5,661
General and administrative	28,583	15,758	6,883	2,472
Amortization of purchased intangible assets	12,081	13,158	11,296	3,394
Other operating expenses	2,525	6,006	35	—
Total cost and expenses	157,107	99,188	41,923	14,033
Income from operations	52,729	45,497	38,479	2,829
Other income (expense):				
Interest expense, net	(2,980)	(3,221)	(7,784)	(930)
Fair value change of common stock warrant	—	—	(2,103)	—
Fair value change of contingent consideration, net	—	—	—	1,994
Other income (expense), net	672	77	(129)	(16)
Income before income taxes	50,421	42,353	28,463	3,877
Provision for income taxes	(18,891)	(16,360)	(11,502)	(1,533)
Net income	$ 31,530	$ 25,993	$ 16,961	$ 2,344
Preferred stock dividends on participating preferred stock	(19,928)	(24,577)	(64,715)	(3,247)
Total undistributed earnings (loss)	11,602	1,416	(47,754)	(903)
Undistributed earnings allocated to participating preferred stock	(5,998)	(1,390)	—	—
Net income (loss) attributable to common stockholders	$ 5,604	$ 26	$ (47,754)	$ (903)
Net income (loss) per share attributable to common stockholders:				
Basic	$ 0.24	$ 0.03	$ (64.19)	$ (0.32)
Diluted	$ 0.23	$ 0.03	$ (64.19)	$ (0.32)
Weighted-average number of common shares used in computing net income (loss) per share:				
Basic	23,074	841	744	709
Diluted	25,742	2,277	744	709

	Year Ended December 31, 2013	2012	2011
	(in thousands)		
Consolidated Balance Sheet Data:			
Cash and cash equivalents	$165,881	$ 97,142	$ 88,234
Working capital	194,252	98,152	78,631
Total assets	512,082	370,920	347,326
Total liabilities	80,773	63,266	74,817
Redeemable convertible preferred stock	—	349,027	321,450
Total stockholders' equity (deficit)	431,309	(41,373)	(48,941)

	Year Ended December 31, 2013	2012	2011	2010
	(in thousands, except net revenues per visit)			
Operating Metrics:				
Visits	560,432	464,240	349,992	108,574
Net revenues per visit	$ 0.37	$ 0.31	$ 0.23	$ 0.16

	2013	2012	2011	2010
	(in thousands)			
Other Financial Data:				
Adjusted EBITDA	$ 81,320	$ 70,373	$ 51,895	$ 6,800

(1) See Part II, Item 7: "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Financial and Operating Metrics" on page 49 for a description of these operating metrics.

(2) We define adjusted EBITDA as net income plus depreciation, amortization of intangible assets, stock-based compensation expense, third-party acquisition-related costs, other non-cash operating expenses (including asset impairment charges and compensation arrangements entered into in connection with acquisitions), net interest expense, other non-operating income or expense (including changes in fair value of warrant liabilities and contingent consideration) and income taxes, net of any foreign exchange income or expense.

The following table presents a reconciliation of adjusted EBITDA to net income for each of the periods indicated:

	Year Ended December 31, 2013	2012	2011	2010
	(in thousands)			
Reconciliation of Adjusted EBITDA:				
Net income	$31,530	$25,993	$16,961	$ 2,344
Depreciation and amortization expense	14,112	14,192	11,556	3,460
Stock-based compensation expense	10,507	4,048	471	68
Third party acquisition-related costs	1,447	630	1,354	443
Other operating expenses	2,525	6,006	35	—
Interest expense, net	2,980	3,221	7,784	930
Fair value change of common stock warrant	—	—	2,103	—
Fair value change of contingent consideration, net	—	—	—	(1,994)
Other (income) expense, net	(672)	(77)	129	16
Provision for income taxes	18,891	16,360	11,502	1,533
Adjusted EBITDA	$81,320	$70,373	$51,895	$ 6,800

The following tables present depreciation and stock-based compensation expense as included in the various lines of our consolidated statements of operations:

	Year Ended December 31,			
	2013	2012	2011	2010
	(in thousands)			
Depreciation Expense:				
Cost of net revenues	$ 299	$ 99	$ 62	$ 16
Product development	818	380	74	12
Sales and marketing	603	382	84	27
General and administrative	311	173	40	11
Total depreciation expense	$2,031	$1,034	$260	$ 66

	Year Ended December 31,			
	2013	2012	2011	2010
	(in thousands)			
Stock-Based Compensation Expense:				
Cost of net revenues	$ 704	$ 157	$ 23	$ 1
Product development	2,419	1,144	164	12
Sales and marketing	2,398	993	113	23
General and administrative	4,986	1,754	171	32
Total stock-based compensation expense	$10,507	$4,048	$471	$ 68

Non-GAAP Financial Measures

Adjusted EBITDA

To provide investors with additional information regarding our financial results, we have disclosed in the table above and elsewhere in this filing adjusted EBITDA, a non-GAAP financial measure. We have provided a reconciliation above of adjusted EBITDA to net income, the most directly comparable GAAP financial measure.

We have included adjusted EBITDA in this filing because it is a key measure used by our management and board of directors to understand and evaluate our operating performance for the following reasons:

- our management uses adjusted EBITDA in conjunction with GAAP financial measures as part of our assessment of our business and in communications with our board of directors concerning our financial performance;
- our management and board of directors use adjusted EBITDA in establishing budgets, operational goals and as an element in determining executive compensation;
- adjusted EBITDA provides consistency and comparability with our past financial performance, facilitates period-to-period comparisons of operations that could otherwise be masked by the effect of the expenses that we exclude in this non-GAAP financial measure and facilitates comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results;
- securities analysts use a measure similar to our adjusted EBITDA as a supplemental measure to evaluate the overall operating performance and comparison of companies, and we include adjusted EBITDA in our investor and analyst presentations; and
- adjusted EBITDA excludes non-cash charges, such as depreciation, amortization and stock-based compensation, because such non-cash expenses in any specific period may not directly correlate to the underlying performance of our business operations and can vary significantly between periods.

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- adjusted EBITDA excludes stock-based compensation expense which has been, and will continue to be for the foreseeable future, a significant recurring expense in our business and is an important part of our employees' compensation;
- adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us; and
- other companies, including companies in our industry, may calculate adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, net income and our other GAAP results.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in the section titled "Risk Factors."

We operate the world's largest digital coupon marketplace, connecting consumers with leading retailers and brands. In the year ended December 31, 2013, our marketplace featured digital coupons from over 70,000 retailers and brands, and according to our internal data compiled using Google Analytics, we had more than 550 million total visits to our desktop and mobile websites. As of December 31, 2013, we had contracts with more than 10,000 retailers. We own and operate the largest digital coupon marketplaces in the U.S. (RetailMeNot.com) and the U.K. (VoucherCodes.co.uk) and the largest portfolio of digital coupon websites in France (Bons-de-Reduction.com, Poulpeo.com and Ma-Reduc.com).

On July 24, 2013, we completed our initial public offering of 10,454,544 shares of Series 1 common stock, at a price of $21.00 per share, before underwriting discounts and commissions. We sold 4,545,454 of such shares and existing stockholders sold an aggregate of 5,909,090 of such shares, including 1,363,636 shares sold by selling stockholders as a result of the underwriters' exercise of their over-allotment option to purchase additional shares. On December 16, 2013, we completed our follow-on offering of 7,207,207 shares of Series 1 common stock, at a price of $26.00 per share before underwriting discounts and commissions. We sold 2,000,000 of such shares and existing stockholders sold an aggregate of 5,207,207 of such shares, including 940,070 shares sold by selling stockholders as a result of the underwriters' exercise of their option to purchase additional shares. These offerings collectively generated net proceeds to us of approximately $134.5 million, after deducting underwriting discounts and commissions. We did not receive any proceeds from the sale of shares by the selling stockholders in these offerings.

We derive substantially all of our net revenues from retailers or brands that pay us directly or through third-party performance marketing networks. A retailer is a merchant that sells goods or services directly to consumers. A paid retailer is a retailer or brand with which we have a contract pursuant to which it has agreed to pay us a commission for sales attributable to us using affiliate tracking links to digital coupons made available in our marketplace. These contracts specify the default commission rate that a paid retailer agrees to pay us; however, we generally attempt to negotiate increases in these rates with most of our top paid retailers. In 2013, we had contracts

with more than 10,000 individual paid retailers. In some instances, the paid retailer itself provides affiliate tracking links for attribution of sales using digital coupons made available in our marketplace and pays us directly. However, in most cases, paid retailers contract with performance marketing networks to provide affiliate tracking links for attribution of sales using digital coupons made available in our marketplace. These paid retailers then pay the commissions we earn to the performance marketing network, which in turn pays those commissions to us. In general, our contracts with performance marketing networks govern our use of affiliate tracking links made available to us by the performance marketing network and the remittance of any commissions payable to us from paid retailers utilizing the performance marketing network. The performance marketing network with which a paid retailer contracts to provide affiliate tracking links provides us with the paid retailer's contract terms, which must be accepted by us and the paid retailer, and which further govern our use of affiliate tracking links for such paid retailer and payment of commissions to us. Our contracts are generally short term, meaning that they can be cancelled by any of the contracting parties on 30 days' notice or less.

In 2013, 96.5% of our net revenues were derived from commissions earned when consumers made purchases using digital coupons featured on our websites and mobile applications, and 3.5% of our net revenues were earned from advertising placements. We expect that substantially all of our net revenues in the future will continue to be derived from commissions. Commission rates are determined through negotiations with retailers based on a variety of factors, including the level of exposure to consumers in our marketplace, the quality and volume of sales realized from consumers using digital coupons from our marketplace and the category of products purchased using digital coupons. We sell our solutions to retailers through a direct sales force. We have contracts with more than 10,000 of the over 70,000 retailers whose digital coupons are featured in our marketplace.

From 2012 to 2013 our consolidated net revenues grew from $144.7 million to $209.8 million. Net income for 2013 was $31.5 million, a 21.3% increase from $26.0 million in 2012. Adjusted EBITDA for 2013 grew to $81.3 million, a 15.6% increase from the $70.4 million in adjusted EBITDA for 2012. From 2012 to 2013, organic net revenues grew from $144.7 million to $203.3 million. This $58.6 million increase represented 90.0% of our net revenues growth. We have increased commissions as a result of increased commerce driven by an increase in consumer visits to our websites, an increase in digital coupons available in our marketplace and an increase in the dollar amount of products purchased by consumers. See Part II, Item 6: "Selected Financial Data," page 45, for further discussion of adjusted EBITDA, our use of this measure, the limitations of this measure as an analytical tool, and the reconciliation of adjusted EBITDA to net income, the most directly comparable GAAP financial measure.

We were formed in 2007 and began our operations as a digital coupon marketplace in November 2009 with the acquisitions of the businesses of Deals2Buy.com, Coupon7.com, Couponshare.com and CheapStingyBargains.com. In November 2010, we acquired the business of RetailMeNot.com. In August 2011, we acquired the business of VoucherCodes.co.uk, expanding our operations into the U.K. Our net revenues for 2011 include the net revenues of VoucherCodes.co.uk for the period from the acquisition date through December 31, 2011 of $7.8 million, or 9.7% of 2011 net revenues. In April 2012, we acquired the businesses of Bons-de-Reduction.com and Poulpeo.com, expanding our operations into France. Our net revenues for 2012 include the net revenues of Bons-de-Reduction.com and Poulpeo.com for the period from the acquisition date through December 31, 2012. In March 2013, we acquired the business of Actiepagina.nl, expanding our operations into the Netherlands. In July 2013, we acquired the business of Ma-Reduc.com. In October 2013, we acquired the business and associated coupon validation technology of YSL Ventures, Inc., which operated under the name Zendeals. Our net revenues for 2013 include the revenues of Actiepagina.nl, Ma-Reduc.com and YSL Ventures, Inc. for the period from the respective acquisition dates through December 31, 2013. The net revenues generated from the businesses we acquired in 2013 and 2012 were not significant.

Our acquisitions have required us to integrate new operations, offices and employees and to formulate and execute on marketing, product, partner management, content and technology strategies associated with the acquired businesses. We continue to manage multiple brands and technology platforms of the acquired businesses, which has increased our cost of operations.

We believe that featuring desirable digital coupons is necessary to attract visitors to our marketplace, which includes our websites, mobile applications and email and social media distribution channels. In addition to increasing the number of visitors to our marketplace, we are focused on increasing the rate and frequency at which these visitors make purchases from retailers whose digital coupons are featured in our marketplace. To meet these challenges, we are focused on a combination of marketing strategies, including pay-per-click advertising, search engine optimization and branding campaigns, with a goal of driving visits to our marketplace as well as increasing the exposure of the digital coupon category. We are also investing in product enhancements to make it easier for consumers visiting our marketplace to search and find the right digital coupons. We believe these enhancements will increase consumers' interactions with our retailers, which will in turn increase the value we are able to provide to our paid retailers.

We intend to achieve future success by continuing to focus on recruiting, training and retaining talented employees, increasing our branding efforts and strengthening our relationships with retailers. We also plan to improve the consistency and reliability of our marketplace by investing in the development and implementation of certain universal software platforms to support all of our websites. We believe this investment will allow us to more easily and rapidly integrate the systems of any additional digital coupon businesses which we may acquire and should result in increased operational efficiency. We believe that these significant investments in our team, branding, relationships and technology will enable our expansion into new markets and improve the quality and consistency of our marketplace.

Key Financial and Operating Metrics

We measure our business using both financial and operating metrics. We use these metrics to assess the progress of our business, make decisions on where to allocate capital, time and technology investments, and assess the longer-term performance of our business. The key financial and operating metrics we use are as follows:

	Year Ended December 31,		
	2013	2012	2011
	(in thousands, except net revenues per visit)		
Financial Metrics			
Net revenues	$209,836	$ 144,685	$ 80,402
Adjusted EBITDA	81,320	70,373	51,895
Operating Metrics			
Visits	560,432	464,240	349,992
Net revenues per visit	$ 0.37	$ 0.31	$ 0.23

Financial Metrics

Net Revenues. Substantially all of our net revenues consist of commissions we receive from paid retailers, either directly or through performance marketing networks. In general, we earn a commission from a paid retailer when a consumer clicks on a digital coupon for that paid retailer on one of our websites or mobile applications and then makes a purchase from that paid retailer. In some instances, we earn commissions from a paid retailer when a consumer presents a digital coupon to the retailer and the digital coupon is scanned or a unique digital coupon code is entered by the retailer at the point of sale. We also earn advertising revenues from advertising placements on our websites and mobile applications. We believe net revenues are an important indicator for our business because they are a reflection of the value we offer to consumers and retailers through our websites and mobile applications.

Adjusted EBITDA. We define this metric as net income plus depreciation, amortization of intangible assets, stock-based compensation expense, third party acquisition-related costs, other non-cash operating expenses (including asset impairment charges and compensation arrangements entered into in connection with acquisitions), net interest expense, other non-operating income and expenses (including changes in fair value of

warrant liabilities) and income taxes net of any foreign exchange income or expenses. We believe that the use of adjusted EBITDA is helpful in evaluating our operating performance because it excludes certain non-cash expenses, including depreciation, amortization of intangible assets and stock-based compensation expense. See footnote 2 on page 45 to the table in Part II, Item 6: "Selected Financial Data" for additional discussion of adjusted EBITDA and the reconciliation to net income.

Operating Metrics

Visits. We define a visit as a group of interactions that take place on one of our websites within a given time frame as measured by Google Analytics, a product that provides digital marketing intelligence. A single visit can contain multiple page views, events, social interactions, custom variables, and e-commerce transactions. A single visitor can open multiple visits. Visits can occur on the same day, or over several days, weeks, or months. As soon as one visit ends, there is then an opportunity to start a new visit. A visit ends either through the passage of time or a campaign change, with a campaign generally meaning arrival via search engine, referring site, or campaign-tagged information. A visit ends through passage of time either after thirty minutes of inactivity or at midnight Pacific Time. A visit ends through a campaign change if a visitor arrives via one campaign or source, leaves the site, and then returns via another campaign or source. Currently, visits do not include interactions through our mobile applications.

We view visits to our websites as a key indicator of our brand awareness among consumers and whether we are providing consumers with useful products and features, thereby increasing their usage of our marketplace. We believe that a higher level of usage may contribute to an increase in our net revenues and exclusive digital coupons as retailers will have exposure to a larger potential customer base.

Net Revenues Per Visit. Net revenues per visit is defined as net revenues for the period divided by visits for the period.

Key Components of Our Results of Operations

Net Revenues

Substantially all of our net revenues consist of commissions we receive from paid retailers, either directly or through performance marketing networks. In general, we earn commissions from a paid retailer when a consumer makes a purchase from that paid retailer after clicking on a digital coupon for that paid retailer on one of our websites, mobile websites or mobile applications. In some instances, we earn commissions from a paid retailer when a consumer presents a digital coupon to the retailer in-store and the digital coupon is scanned or a unique digital coupon code is entered by the retailer at the point of sale. We provide performance marketing solutions under contracts with retailers, which generally provide for commission payments to be facilitated by performance marketing networks. Commission rates are typically negotiated with individual retailers with which we have contracts. Our commission rates vary based on both the retailer as well as the product category. We recognize commission revenues when we receive confirmation that a consumer has completed a purchase transaction with a paid retailer, as reported to us through a performance marketing network, or in some cases, by the retailer directly. When a digital coupon applies only to specific items, the discount to the consumer will be applied only to those specific items, but our commission is generally based on the aggregate purchase price of all items purchased at that time by the consumer. We also earn advertising revenues from advertising placements on our websites and mobile applications, which have historically not been significant. We expect that substantially all of our net revenues in the future will continue to be derived from commissions. Commission revenues are reported net of a reserve for estimated returns. We estimate returns based on our actual historical returns experience; these returns have not been significant.

Costs and Expenses

We classify our costs and expenses into six categories: cost of net revenues, product development, sales and marketing, general and administrative, amortization of purchased intangible assets and other operating expenses.

We allocate our personnel facilities and general information technology, or IT, costs, which include IT and facilities-related personnel costs, rent, depreciation and other general costs, to all of the above categories of operating expenses, other than amortization of purchased intangibles and other operating expenses. We expect personnel costs will be higher in 2014, both in absolute dollars and as a percentage of net revenues, when compared to the prior year as a result of a full year impact of personnel hired in 2013 and our plan to continue to increase the number of our employees as we continue to invest in our business. Personnel costs for employees include salaries and amounts earned under variable compensation plans, payroll taxes, benefits, stock-based compensation expense, costs associated with recruiting new employees, travel costs and other employee-related costs.

Cost of Net Revenues

Our cost of net revenues consists of direct and indirect costs incurred to generate net revenues. These costs consist primarily of personnel costs of our merchandising, site operations, and website technical support employees; fees paid to third-party contractors engaged in the operation and maintenance of our websites; depreciation; and website hosting and Internet service costs. We expect our cost of net revenues to increase in both absolute dollars and as a percentage of net revenues in 2014 as we continue to build our infrastructure of employees and tools to support a larger business across multiple markets and endeavor to increase the number and amount of consumer purchases resulting from visits to our websites and from use of our mobile applications.

Product Development

Our product development expense consists primarily of personnel costs of our product management and software engineering teams, as well as fees paid to third-party contractors and consultants engaged in the design, development, testing and improvement of the functionality and user experience of our websites and mobile applications. We expense all internal product and development costs as we do not track and separately identify costs of identifiable development activities from costs of maintenance and related activities. We intend to continue to significantly increase our technology and product resources over the next year by hiring additional personnel to develop new features and products for our websites and mobile applications. We expect these additional investments to cause our product development expenses to increase both in absolute dollars and as a percentage of net revenues in 2014 as compared to 2013.

Sales and Marketing

Our sales and marketing expense consists primarily of personnel costs of our sales, partner management, marketing, SEO and business analytics employees, as well as online and other advertising expenditures, branding programs and other marketing expenses. Our advertising, branding programs and other marketing costs include paid search advertising fees, online display advertising, including on social networking sites, television advertising, creative development fees, public relations, email campaigns, trade show costs and other general marketing costs. We intend to increase our sales and marketing efforts in 2014 to support our products, increase consumer traffic to our websites, encourage downloads of our mobile applications and increase overall awareness of our brand. Therefore, we expect our sales and marketing expenses to increase in absolute dollars and as a percent of net revenues in 2014.

General and Administrative

Our general and administrative expense consists primarily of the personnel costs of our general corporate functions, including executive, finance, accounting, legal and human resources. Other costs included in general and administrative include professional fees for legal, audit and other consulting services, travel and entertainment, charitable contributions and other general corporate overhead expenses. We expect to continue to incur incremental costs associated with operating as a public company for a full year, including increases in our accounting and legal personnel, additional consulting, legal and audit fees, insurance costs, board of directors'

compensation, costs associated with compliance with the Sarbanes-Oxley Act and other requirements. As a result, we expect our general and administrative expenses to increase in absolute dollars but decline as a percentage of net revenues in 2014.

Amortization of Purchased Intangibles

We have recorded identifiable intangible assets in conjunction with our various acquisitions, and are amortizing those assets over their estimated useful lives. We perform impairment testing of goodwill annually and, in the case of intangibles with definite lives, whenever events or circumstances indicate that impairment may have occurred. We expect our amortization expenses to decline in absolute dollars and as a percentage of net revenues in 2014. However, changes in our amortization expenses will depend upon the level of our future acquisition activity.

Other Operating Expenses

Other operating expenses for 2013 consist primarily of amortization expense related to deferred compensation agreements with the selling stockholders of YSL Ventures, Inc. and Bons-de-Reduction.com and Poulpeo.com. In 2013, we acquired YSL Ventures, Inc. and entered into $6.2 million in deferred compensation agreements with the selling stockholders of the business. The deferred compensation is due and payable contingent upon the continued employment of the selling stockholders and as a result we are amortizing the associated expense over the term of the compensation arrangement with the sellers. In 2012, we acquired Bons-de-Reduction.com and Poulpeo.com and issued $3.5 million in seller notes to the selling stockholders of the business. These seller notes are due and payable contingent upon the continued employment of the selling stockholders and as a result have been recorded as deferred compensation, which we are amortizing over the term of the compensation arrangement with the sellers. We expect other operating expenses to increase in absolute dollars and as a percentage of net revenues in 2014 as a result of the recognition of a full year of amortization expense related to our deferred compensation agreement with the selling stockholders of YSL Ventures, Inc.

Other operating expenses for 2012 primarily consist of amounts related to non-cash impairments of purchased intangible assets. In 2012, we determined that we would no longer support three of our websites, Coupon7.com, Couponshare.com and CheapStingyBargains.com. We have redirected traffic from CheapStingyBargains.com to Deals2Buy.com and refer visitors from Coupon7.com and Couponshare.com to RetailMeNot.com. We do not expect these sites to provide additional income. As a result of this impairment indicator, we determined that a complete impairment of the remaining unamortized intangible assets related to these websites was warranted, resulting in an impairment charge of $4.9 million. We did not record any intangible asset impairment charges during the years ended December 31, 2013 and 2011.

Other Income (Expense)

Amounts included in other income (expense) include interest income earned on our available cash and cash equivalents, interest expense incurred in connection with our senior debt and expense associated with compensation arrangements entered into in connection with acquisitions and the amortization of deferred financing costs. We also include in other income (expense), net fair value adjustments to warrant liabilities and foreign currency exchange gains and losses. Changes in these amounts will depend to some extent upon the level of our future acquisition activities and the use of borrowings to fund any such acquisitions.

Income Tax Expense

Our effective tax rate for the years ended December 31, 2013, 2012, and 2011 was 37.5%, 38.6% and 40.4%, respectively. Our effective tax rate is affected by recurring items, such as tax rates in foreign jurisdictions and the relative amount of income we earn in jurisdictions, state taxes and non-deductible expenses, such as acquisition costs and stock-based compensation. Our mix of foreign versus U.S. income, our ability to generate

tax credits and our incurrence of any non-deductible expenses will likely cause our effective tax rate to fluctuate in the future. Our effective tax rate is also affected by discrete items that may occur in any given year, but are not consistent from year to year.

We are currently implementing a global corporate restructuring involving our non-U.S. entities to streamline our non-U.S. operations, effective January 1, 2014. The impact of this restructuring may result in volatility in our provision for income taxes and our effective tax rate. We anticipate a tax liability in the first quarter of 2014 related to this restructuring.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in conformity with GAAP requires estimates, judgments and assumptions that affect the reported amounts and classifications of assets and liabilities, net revenues and expenses and the related disclosures of contingent liabilities in our consolidated financial statements and accompanying notes. The SEC has defined a company's critical accounting policies as the ones that are most important to the portrayal of the company's financial condition and results of operations, and which require the company to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, we have identified the following critical accounting policies and estimates addressed below.

We also have other key accounting policies, which involve the use of estimates, judgments, and assumptions that are significant to understanding our results. See Note 2 "Summary of Significant Accounting Policies" of Part II, Item 8: "Financial Statements." Of those policies, we believe that the accounting policies discussed below involve the greatest degree of complexity and exercise of judgment by our management. We evaluate our estimates, judgments and assumptions on an ongoing basis, and while we believe that our estimates, judgments and assumptions are reasonable, they are based upon information available at the time. Actual results may differ significantly from these estimates under different assumptions, judgments or conditions.

Business Combinations and the Recoverability of Goodwill and Long-Lived Intangible Assets

A significant component of our growth strategy has been to acquire and integrate businesses that complement our existing operations. We account for business combinations using the purchase method of accounting and allocate the purchase price of each acquired business to the tangible and intangible assets acquired and liabilities assumed based upon their estimated fair value at the purchase date. The difference between the purchase price and the fair value of the net assets acquired is recorded as goodwill.

In determining the fair value of assets acquired and liabilities assumed in a business combination, we use recognized valuation methods, including the income approach, market approach and cost approach, and apply present value modeling. Our significant estimates in the income, market or cost approach include identifying business factors such as size, growth, profitability, risk and return on investment and assessing comparable net revenues and operating income multiples in estimating the fair value. We also make certain assumptions specific to the present value modeling valuation techniques which include risk-adjusted discount rates, future commission rates, rates of increase in operating expenses, weighted-average cost of capital, long-term growth rate assumptions and the future effective income tax rates.

Most of the businesses we have acquired did not have a significant amount of tangible assets. As a result, our acquisitions have resulted in the majority of the purchase price being allocated to identifiable intangible assets and goodwill. The long-lived intangible assets we have identified in each acquisition include customer relationships and marketing-related, contract-related and technology-based intangible assets. All of our long-lived intangible assets have a definite life that ranges from one year to fifteen years, which we have determined reflects our best estimate of the pattern in which the economic benefit of the related intangible asset will be utilized. As of December 31, 2013, we had $80.8 million in intangible assets (net of accumulated amortization) and $179.7 million of goodwill.

The valuations of our acquired businesses have been performed by valuation specialists under our management's supervision. We believe that the estimated fair value assigned to the assets acquired and liabilities assumed are based on reasonable assumptions and estimates that marketplace participants would use. However, such assumptions are inherently uncertain and actual results could differ from those estimates. Future changes in our assumptions or the interrelationship of those assumptions may negatively impact future valuations. In future measurements of fair value, adverse changes in discounted cash flow assumptions could result in an impairment of goodwill or intangible assets that would require a non-cash charge to the consolidated statements of operations and may have a material effect on our financial condition and operating results.

We perform our annual impairment testing of goodwill as of October 1 of each year, and whenever events or circumstances indicate that impairment may have occurred. Events or circumstances that could trigger an impairment review include, but are not limited to, a significant adverse change in legal factors or in the business climate, an adverse action or assessment by a regulator, significant changes in competition, a loss of key personnel, significant changes in our use of the acquired assets or the strategy for our overall business, significant negative industry or economic trends, or significant underperformance relative to expected historical or projected future results of operations. The Company determined that no triggering events occurred during the year ended December 31, 2013.

We evaluate the recoverability of goodwill using what is referred to as the "Step 0" analysis, which involves evaluating qualitative factors, including macroeconomic conditions, industry and market considerations, cost factors, and overall financial performance related to our goodwill. If our "Step 0" analysis indicates that it is more likely than not that the fair value of our sole reporting unit is less than carrying amount, we perform a two-step impairment process tested at the reporting segment level. We have determined that we have one reporting unit. In the first step, the fair value for our reporting unit is compared to our book value including goodwill. In the case that the fair value is less than the book value, a second step is performed that compares the implied fair value of goodwill to the book value of the goodwill. The fair value for the implied goodwill is determined based on the difference between the fair value of the sole reporting segment and the net fair value of the identifiable assets and liabilities excluding goodwill. If the implied fair value of the goodwill is less than the book value, the difference is recognized as an impairment charge in the consolidated statements of operations. If, after assessing the totality of events or circumstances, we determine that it is not more likely than not that the fair value of our reporting unit is less than its carrying amount, then the quantitative impairment tests are unnecessary. Our annual evaluation of goodwill for impairment was as of October 1, 2013, and we determined that the quantitative tests were not necessary. We did not record any goodwill impairment charges during the years ended December 31, 2013, 2012 and 2011.

Long-lived assets, including intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When such events occur, we compare the carrying amounts of the assets to their undiscounted expected future cash flows. If this comparison indicates that there is impairment, the amount of the impairment is calculated as the difference between the carrying value and fair value.

Revenue Recognition

We recognize revenue when persuasive evidence of an arrangement exists, services have been rendered, the fee to our customers is fixed or determinable and collectability of the resulting receivable is reasonably assured. For commission revenues, which represent the significant majority of our net revenues, revenue recognition generally occurs when a consumer, having visited one of our websites and clicked on a digital coupon for a paid retailer, makes a purchase with such paid retailer, and completion of the order is reported to us by such paid retailer, either directly or through a performance marketing network. Certain paid retailers do not provide reporting until a cash payment is made. In those cases, which have historically not been significant, we record commission revenues on a cash basis. We estimate and record a reserve, based upon historical experience, to provide for end-user cancelations or product returns, which may not be reported by the retailer or performance marketing network until a subsequent date. Net revenues are reported net of sales taxes, where applicable.

Income Taxes

We are subject to income taxes in both the U.S. and foreign jurisdictions. Significant judgment is required in evaluating our tax positions and determining our provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. For example, our effective tax rate could be adversely affected by differences between our anticipated and the actual mix of earnings generated across different tax jurisdictions which have higher or lower statutory tax rates, by changes in the valuation of our deferred tax assets and liabilities, by changes in foreign currency exchange rates or by changes in the relevant tax, accounting and other laws, regulations, principles and interpretations.

We account for income taxes using the asset and liability method, under which deferred income tax assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying values of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed or settled. We regularly review deferred tax assets to assess their potential realization and establish a valuation allowance for portions of such assets to reduce the carrying value if we do not consider it to be more likely than not that the deferred tax assets will be realized. Any change in the valuation allowance would be charged to income in the period such determination was made. We recognize a tax benefit from an uncertain tax position in the financial statements only when it is more likely than not that the position will be sustained.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across our global operations. ASC 740 states that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of the technical merits.

We record unrecognized tax benefits as liabilities in accordance with ASC 740 and adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the unrecognized tax benefit liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which new information is available.

We are subject to audit in various jurisdictions, and such jurisdictions may assess additional income taxes against us. Although we believe our tax estimates are reasonable, the final determination of any tax audits and any related litigation could be materially different from historical income tax provisions and accruals. The results of an audit or litigation could have a material effect on our operating results or cash flows in the period or periods for which that determination is made.

We consider the earnings of certain non-U.S. subsidiaries to be indefinitely invested outside the United States on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash needs and our specific plans for reinvestment of those subsidiary earnings. We have not recorded a deferred tax liability of approximately $3.5 million related to the U.S. federal and state income taxes and foreign withholding taxes of our undistributed earnings of foreign subsidiaries indefinitely invested outside the United States. Should we decide to repatriate our foreign earnings, we would need to adjust our income tax provision in the period we determined that those earnings will no longer be indefinitely invested outside the United States.

Stock-Based Compensation

We measure stock-based compensation expense at fair value net of estimated forfeitures and generally recognize the corresponding compensation expense on a straight-line basis over the service period during which awards are expected to vest. Forfeiture rates are estimated periodically based on historical experience and adjusted in subsequent periods for differences in actual forfeitures from those estimates.

We use the Black-Scholes-Merton option-pricing model to determine the fair value of stock options. The determination of the grant date fair value of options using an option-pricing model is affected by our estimates of a number of complex and subjective variables. These variables include the fair value of our common stock, as well as the following variables:

- *Fair Value of Our Common Stock*. Because our stock was not publicly traded prior to our initial public offering, the fair value of our common stock underlying our stock options was previously determined by our board of directors, which intended all options to be exercisable at a price per share not less than the per share value of our common stock underlying those options on the date of grant. Following the completion of our initial public offering our common stock was valued by reference to its publicly traded price.
- *Expected Term.* The expected term represents the period of time the stock options are expected to be outstanding and is based on the "simplified method" allowed under applicable SEC guidance. We used the "simplified method" due to the lack of sufficient historical exercise data to provide a reasonable basis upon which to otherwise estimate the expected life of the stock options.
- *Expected Volatility.* Since we do not have a significant trading history for our Series 1 common stock, the expected stock price volatility was estimated by taking the average historical price volatility for publicly-traded stock of comparable industry peers similar in size, stage of life cycle and financial leverage, based on daily price observations over a period equivalent to the expected term of the stock option grants. We did not rely on implied volatilities of traded options in our industry peers' common stock because the volume of activity was relatively low. We intend to continue to consistently apply this process using the same or similar public companies until a sufficient amount of historical information regarding the volatility of our Series 1 common stock share price becomes available, or unless circumstances change such that the identified companies are no longer similar to us, in which case more suitable companies whose share prices are publicly available would be utilized in the calculation.
- *Dividend Yield.* We do not presently plan to pay cash dividends on our Series 1 common stock in the foreseeable future. Consequently, we used an expected dividend yield of zero.
- *Risk-free Interest Rate.* The risk-free interest rate is based on the yields of U.S. Treasury securities with maturities similar to the expected term of the options for each option group.

The fair value of restricted stock units (RSUs) equals their intrinsic value on the date of grant.

Results of Operations

The following table presents our historical operating results for the periods indicated. The period-to-period comparisons of financial results are not necessarily indicative of future results.

	Year Ended December 31, 2013	2012	2011
	(in thousands)		
Consolidated Statements of Operations Data:			
Net revenues	$209,836	$144,685	$ 80,402
Costs and expenses:			
Cost of net revenues	13,049	9,113	3,980
Product development	30,566	14,481	4,388
Sales and marketing	70,303	40,672	15,341
General and administrative	28,583	15,758	6,883
Amortization of purchased intangible assets	12,081	13,158	11,296
Other operating expenses	2,525	6,006	35
Total costs and expenses	157,107	99,188	41,923
Income from operations	52,729	45,497	38,479
Other income (expense):			
Interest expense, net	(2,980)	(3,221)	(7,784)
Fair value change of common stock warrant	—	—	(2,103)
Other income (expense), net	672	77	(129)
Income before income taxes	50,421	42,353	28,463
Provision for income taxes	(18,891)	(16,360)	(11,502)
Net income	$ 31,530	$ 25,993	$ 16,961

	Year Ended December 31, 2013	2012	2011
Consolidated Statements of Operations Data as Percentage of Net Revenues:			
Net revenues	100.0%	100.0%	100.0%
Costs and expenses:			
Cost of net revenues	6.2	6.3	5.0
Product development	14.6	10.0	5.5
Sales and marketing	33.5	28.1	19.1
General and administrative	13.6	10.9	8.6
Amortization of purchased intangible assets	5.8	9.1	14.0
Other operating expenses	1.2	4.2	0.0
Total costs and expenses	74.9	68.6	52.2
Income from operations	25.1	31.4	47.8
Other income (expense):			
Interest expense, net	(1.4)	(2.2)	(9.7)
Fair value change of common stock warrant	0.0	0.0	(2.6)
Other income (expense), net	0.3	0.1	(0.2)
Income before income taxes	24.0	29.3	35.3
Provision for income taxes	(9.0)	(11.3)	(14.3)
Net income	15.0%	18.0%	21.0%

Net Revenues

	Year Ended December 31,		
	2013	2012	2011
	(dollars in thousands)		
Net Revenues by Geography:			
U.S.	$166,532	$119,986	$72,616
International	43,304	24,699	7,786
Total net revenues	$209,836	$144,685	$80,402
Percentage of Net Revenues by Geography:			
U.S.	79.4%	82.9%	90.3%
International	20.6%	17.1%	9.7%
Total percentage	100.0%	100.0%	100.0%

2013 compared to 2012. Net revenues increased by $65.2 million, or 45.0%, for the year ended December 31, 2013 compared to the year ended December 31, 2012. In total, commissions paid to us as a result of consumer purchases made using RetailMeNot.com and VoucherCodes.co.uk accounted for approximately 91.8% of the increase for the period. Net revenues from the websites Bons-de-Reduction.com and Poulpeo.com, which we acquired in May 2012, Actiepagina.nl, which we acquired in March 2013, and Ma-Reduc.com, which we acquired in July 2013, accounted for 10.0% of the increase for the period. These amounts were partially offset by a $2.3 million decline in net revenues from Coupon7.com and Couponshare.com, which are websites that we stopped supporting during the fourth quarter of 2012, as well as nominal declines in net revenues from certain of our other websites. Approximately 60.2% of the organic growth in net revenues was due to improved monetization, driven by an increase in the percentage of visits that resulted in a paid transaction, with the remainder of the growth due to an increase in visits. Net revenues were positively affected by continued expansion of our online and offline marketing efforts, including increased investment in both paid and organic search and email subscriptions. The merchandising, usability and functionality enhancements we implemented in 2012 also contributed to improved net revenues per visit at RetailMeNot.com.

2012 compared to 2011. Net revenues increased by $64.3 million, or 80.0%, for the year ended December 31, 2012 compared to the year ended December 31, 2011. In total, commissions paid to us as a result of consumer purchases made using RetailMeNot.com accounted for approximately 82.0% of the increase for the year. Of the increase in net revenues, $13.6 million was due to net revenues from VoucherCodes.co.uk, which we owned for a full year in 2012 as compared to less than five months in 2011. Another $3.3 million of this increase resulted from our May 2012 acquisition of the websites Bons-de-Reduction.com and Poulpeo.com. The organic increases in net revenues were driven by an increase in visits (approximately 30% of the increase) with the remainder due primarily to improved monetization driven by an increase in the percentage of visits that resulted in a paid transaction. Net revenues were positively affected by a significant expansion in 2012 of the online and offline marketing efforts we initiated in 2011, including increased investment in both paid and organic search and email subscriptions. The merchandising, usability and functionality enhancements we implemented in late 2011 and in 2012 also contributed to improved revenues per visit at RetailMeNot.com.

Cost of Net Revenues

	Year Ended December 31,		
	2013	2012	2011
	(dollars in thousands)		
Cost of net revenues	$13,049	$9,113	$3,980
Percentage of net revenues	6.2%	6.3%	5.0%

2013 compared to 2012. For the year ended December 31, 2013, cost of net revenues increased by $3.9 million, or 43.2%, compared to the year ended December 31, 2012. This increase was largely attributable to a

$1.9 million increase in personnel costs. The increase in personnel costs led to an increase in allocated facility and information technology costs of $1.3 million. We increased website operating costs by $0.6 million to support increased consumer traffic to our websites as well as to strengthen our technology infrastructure. We increased our investment in our information technology and website support infrastructure to expand the capacity and to improve the performance and scalability of our websites.

2012 compared to 2011. For the year ended December 31, 2012, cost of net revenues increased by $5.1 million, or 129.0%, compared to the year ended December 31, 2011. This increase was primarily attributable to a $3.8 million increase in personnel costs. We increased website operating costs by $0.8 million to support increased consumer traffic to our websites as well as to strengthen our technology infrastructure. We added personnel to our content teams in order to increase digital coupon content and to further improve content quality. We also increased investment in our infrastructure to expand the capacity and to improve the performance and scalability of our websites. As a result of our personnel additions during 2012, we significantly increased our investment in technology and office facilities, incurring $0.5 million in additional facilities costs allocation and website support costs.

Product Development

	Year Ended December 31,		
	2013	2012	2011
	(dollars in thousands)		
Product development	$30,566	$14,481	$4,388
Percentage of net revenues	14.6%	10.0%	5.5%

2013 compared to 2012. For the year ended December 31, 2013, product development expense increased by $16.1 million, or 111.1%, compared to the year ended December 31, 2012. This increase was primarily attributable to an $11.4 million increase in personnel costs. The increase in personnel also led to an increase in allocated facilities and IT support costs of $2.1 million. We increased personnel in order to enhance the functionality of our websites, to develop new products, including mobile applications, to enter new geographies and to strengthen our reporting and analytics capabilities. Additionally, fees for usability studies and technology licenses used in the design and development of our websites increased by $2.6 million.

2012 compared to 2011. For the year ended December 31, 2012, product development expense increased by $10.1 million, or 230.0%, compared to the year ended December 31, 2011. This increase was primarily attributable to a $7.3 million increase in personnel costs. The increase in personnel also led to an increase in allocated facilities and IT support costs of $1.8 million. We increased personnel in order to enhance the functionality of our websites, to develop new products, including mobile applications, to enter new geographies and to strengthen our reporting and analytics capabilities. Additionally, fees for usability studies and technology licenses used in the design and development of our websites increased $1.0 million.

Sales and Marketing

	Year Ended December 31,		
	2013	2012	2011
	(dollars in thousands)		
Sales and marketing	$70,303	$40,672	$15,341
Percentage of net revenues	33.5%	28.1%	19.1%

2013 compared to 2012. For the year ended December 31, 2013, sales and marketing expense increased by $29.6 million, or 72.9%, compared to the year ended December 31, 2012. This increase was primarily attributable to an increase in advertising and personnel costs as we continue to build our brand, acquire new customers and increase consumer traffic to our websites in order to grow our business. Online, brand and other marketing expenses increased by $12.6 million. This increase was primarily attributable to public relations and

offline and online advertising for brand building, contextual advertising placements and user acquisition efforts. We also incurred an increase of $7.6 million in paid search expenses. Personnel costs increased by $7.4 million, which led to a related increase in allocated facilities and IT support costs of $1.8 million. We increased personnel in order to continue the expansion of our partner management teams to support our growing portfolio of websites and to further strengthen relationships with top retailers. We also added personnel to support the marketing initiatives described above and to expand our email marketing, social media and other consumer acquisition initiatives.

2012 compared to 2011. For the year ended December 31, 2012, sales and marketing expense increased by $25.3 million, or 165.1%, compared to the year ended December 31, 2011. This increase was primarily attributable to an increase in advertising and personnel costs as we continued to build our brand, acquire new customers and increase consumer traffic to our websites in order to grow our business. For the year ended December 31, 2012, online, brand and other marketing expenses increased by $15.7 million. These increases are primarily attributable to public relations and offline and online advertising for brand building; user acquisition efforts; and higher paid search costs for traffic growth. Online marketing costs consist of search engine fees and contextual advertising placements. We incurred $8.6 million in paid search expenses for the year ended December 31, 2012, an increase of $1.7 million, or 24.6%, over the year ended December 31, 2011. Personnel costs increased by $5.9 million for the year ended December 31, 2012. The increase in personnel costs led to a related increase in allocated facilities and IT support costs of $1.9 million. We increased personnel in order to continue the expansion of our retailer teams to support our growing portfolio of websites and to further strengthen relationships with top retailers. We also added personnel to support the marketing initiatives described above as well as to expand our email marketing, social media and other consumer acquisition initiatives.

General and Administrative

	Year Ended December 31,		
	2013	2012	2011
	(dollars in thousands)		
General and administrative	$28,583	$15,758	$6,883
Percentage of net revenues	13.6%	10.9%	8.6%

2013 compared to 2012. For the year ended December 31, 2013, general and administrative expense increased by $12.8 million, or 81.4%, compared to the year ended December 31, 2012. This increase was primarily attributable to a $10.7 million increase in personnel costs. We added personnel to further the build-out of our human resources and legal functions, to increase our business development efforts and to add resources in the finance function to operate as a public company. Professional fees increased $2.2 million for the year ended December 31, 2013, due to increased legal, accounting and consulting costs associated with the growth of our existing business and becoming a public company.

2012 compared to 2011. For the year ended December 31, 2012, general and administrative expense increased by $8.9 million, or 128.9%, compared to the year ended December 31, 2011. This increase was primarily attributable to an $8.4 million increase in personnel costs. We added personnel to establish human resources and legal functions, to increase our business development efforts and to add resources in the finance function in order to begin preparing to operate as a public company. However, allocated facilities and IT support costs declined by $1.0 million as this category comprised a smaller percentage of total personnel. Professional fees increased $0.8 million for the year ended December 31, 2012, due to increased legal, accounting and consulting costs associated with the growth of our existing business and strategic initiatives, including the acquisition of the businesses of Bons-de-Reduction.com and Poulpeo.com during 2012 and preparation for becoming a public company.

Amortization of Purchased Intangible Assets

	Year Ended December 31,		
	2013	2012	2011
	(dollars in thousands)		
Amortization of purchased intangible assets	$12,081	$13,158	$11,296
Percentage of net revenues	5.8%	9.1%	14.0%

2013 compared to 2012. For the year ended December 31, 2013, amortization of purchased intangible assets decreased by $1.1 million, or 8.2%, compared to the year ended December 31, 2012. The decrease in amortization expense for the year ended December 31, 2013 was primarily the result of the expiration of the useful life of certain of the purchased intangible assets as part of our acquisition of the business of VoucherCodes.co.uk in 2011 and the recorded impairment during 2012 of the remaining unamortized intangible assets related to three of our websites, Coupon7.com,Couponshare.com and CheapStingyBargains.com. These impairment costs were recognized in other operating expenses in our statement of operations. These decreases were partially offset by the recognition of amortization expense associated with the addition of purchased intangible assets as part of our acquisitions of the businesses of YSL Ventures, Inc. in October 2013, Ma-Reduc.com in July 2013 and Actiepagina.nl in March 2013.

2012 compared to 2011. For the year ended December 31, 2012, amortization of purchased intangible assets increased by $1.9 million, or 16.5%, compared to the year ended December 31, 2011. The increase in amortization expense for 2012 was the result of our recognition of a full year of amortization expense associated with the purchased intangible assets as part of our August 2011 acquisition of the business of VoucherCodes.co.uk, as compared to our recognition of only a partial year of amortization in 2011, and the addition of purchased intangible assets as part of our acquisition of the businesses of Bons-de-Reduction.com and Poulpeo.com in 2012, partially offset by decreases in amortization expense resulting from the expiration of the useful life of certain of the purchased intangible assets as part of our acquisition of the business of RetailMeNot.com in 2010.

Other Operating Expenses

	Year Ended December 31,		
	2013	2012	2011
	(in thousands)		
Impairment of purchased intangible assets	$ —	$ 4,924	$ —
Deferred compensation	2,527	1,082	—
Assets disposal (gain) or loss	(2)	—	35
Total other operating expenses	$ 2,525	$ 6,006	$ 35

2013 compared to 2012. In 2012, we determined that we would no longer support three of our websites, Coupon7.com, Couponshare.com and CheapStingyBargains.com. We redirected traffic from CheapStingyBargains.com to Deals2Buy.com and refer visitors from Coupon7.com and Couponshare.com to RetailMeNot.com. As a result of this impairment indicator, we determined that a complete impairment of the remaining unamortized intangible assets related to these websites was warranted, resulting in an impairment charge of $4.9 million. We did not record any intangible asset impairment charges during the year ended December 31, 2013. During the year ended December 31, 2013 and 2012, we recognized $2.5 million and $1.1 million, respectively, in deferred compensation charges for our October 2013 acquisition of the business of YSL Ventures, Inc. and our May 2012 acquisition of the businesses of Bons-de-Reduction.com and Poulpeo.com. Our obligations to pay the outstanding amounts under these deferred compensation arrangements are contingent upon the continued employment of the selling stockholders and, as a result, have been recorded as deferred compensation, which we amortize over the term of the compensation arrangements with the sellers.

2012 compared to 2011. In 2012, we determined that we would no longer support three of our websites, Coupon7.com, Couponshare.com and CheapStingyBargains.com. We redirected traffic from CheapStingyBargains.com to Deals2Buy.com and refer visitors from Coupon7.com and Couponshare.com to RetailMeNot.com. As a result of this impairment indicator, we determined that a complete impairment of the remaining unamortized intangible assets related to these websites was warranted, resulting in an impairment charge of $4.9 million. We also recognized $1.1 million in deferred compensation charges for our acquisition of the businesses of Bons-de-Reduction.com and Poulpeo.com in 2012. Our obligations to pay the outstanding amounts under these deferred compensation arrangements are contingent upon the continued employment of the selling stockholders and, as a result, have been recorded as deferred compensation, which we amortize over the term of the compensation arrangements with the sellers. We did not record any intangible asset impairment charges or deferred compensation charges during the year ended December 31, 2011.

Other Income (Expense)

	Year Ended December 31,		
	2013	2012	2011
	(in thousands)		
Interest expense, net	$(2,980)	$(3,221)	$(7,784)
Fair value change of common stock warrant	—	—	(2,103)
Other income (expense), net	672	77	(129)

2013 compared to 2012. The decrease in interest expense, net, for the year ended December 31, 2013 is primarily the result of a decrease in average outstanding principal on our senior debt facility and the repayment during 2012 of our seller notes issued in connection with our acquisitions of the business of RetailMeNot.com in November 2010 and an internet domain name in April 2010. These decreases were partially offset by a $0.6 million write-off of the remaining unamortized deferred financing costs of our prior senior debt facility following the amendment of such senior debt facility in July 2013 and an increase in interest expense for seller notes issued in connection with our acquisition of the businesses of Bons-de-Reduction.com and Poulpeo.com during May 2012 and Ma-Reduc.com in July 2013. Other income for 2013 primarily reflects foreign exchange gains.

2012 compared to 2011. The decrease in net interest expense for the year ended December 31, 2012 is the result of the repayment of our subordinated debt facility during October 2011 and a decrease in both the outstanding principal and interest rate on our senior debt facility. This decrease was partially offset by an increase in interest expense for seller notes issued in connection with our acquisitions of the businesses of VoucherCodes.co.uk during August 2011, and Bons-de-Reduction.com and Poulpeo.com during May 2012. Other income and expenses primarily reflect the fair value changes of the derivative liabilities of a common stock warrant and an interest rate swap for the year ended December 31, 2011.

Income Taxes

	Year Ended December 31,		
	2013	2012	2011
	(dollars in thousands)		
Provision for income taxes	$(18,891)	$(16,360)	$(11,502)
Percentage of net revenues	(9.0%)	(11.3%)	(14.3%)
Effective tax rate	37.5%	38.6%	40.4%

2013 compared to 2012. Our income tax expense for the year ended December 31, 2013 was $18.9 million, or an increase of 15.5%, compared to income tax expense of $16.4 million for the year ended December 31, 2012. Our effective tax rate was 37.5% and 38.6% during the year ended December 31, 2013 and 2012, respectively, and differed from the statutory rate primarily due to non-deductible stock-based compensation charges, state income taxes and the effect of different statutory tax rates in foreign jurisdictions.

2012 compared to 2011. Our income tax expense for the year ended December 31, 2012 was $16.4 million, or an increase of 42.2%, compared to income tax expense of $11.5 million for the year ended December 31, 2011. Our effective tax rate during the two years differed from our anticipated long-term effective tax rate due to non-deductible expenses primarily associated with financing and acquisition activities and the impact of foreign tax rates.

Seasonality and Quarterly Results

Our overall operating results fluctuate from quarter to quarter as a result of a variety of factors, including seasonal factors and economic cycles that influence consumer purchasing of retail products. Historically, we have experienced the highest levels of visitors to our websites and net revenues in the fourth quarter of the year, which coincides with the winter holiday season in the U.S. and Europe. During the fourth quarter of 2013, we generated net revenues of $78.5 million, which represented 37.4% of our net revenues for 2013. This seasonality may not be fully evident in our historical business performance because of our significant growth and the timing of our acquisitions. For instance, we have entered new markets through international acquisitions and increased the number of paid retailer and performance marketing network relationships. These changes have contributed to the substantial growth in our net revenues and corresponding increases in our operating costs and expenses to support our growth. Our investments have led to uneven quarterly operating results due to increases in personnel costs, product and technology enhancements and the impact of our acquisitions and other strategic projects. The return on these investments is generally achieved in future periods and, as a result, these investments can adversely impact near term results.

Our business is directly affected by the behavior of consumers. Economic conditions and competitive pressures can impact, both positively and negatively, the types of digital coupons featured on our websites and the rates at which they are utilized by consumers. Consequently, the results of any prior quarterly or annual periods should not be relied upon as indications of our future operating performance.

Liquidity and Capital Resources

Since our inception, we have funded our operations and acquisitions primarily through private placements of our preferred stock, the issuance of equity securities through our initial public offering and follow-on offering, bank borrowings and cash flows from operations. We generated positive cash flow from operations for the years ended December 31, 2013, 2012 and 2011. As of December 31, 2013, we had $165.9 million in cash and cash equivalents, compared to $97.1 million at December 31, 2012.

The following table summarizes our cash flows for the periods indicated:

	Year Ended December 31,		
	2013	2012	2011
		(in thousands)	
Net cash provided by operating activities	$ 31,530	$ 42,253	$ 29,365
Net cash used in investing activities	(36,896)	(13,379)	(34,411)
Net cash used in financing activities	73,704	(20,082)	78,606
Effects of foreign currency exchange rate on cash	401	116	(111)
Net change in cash and cash equivalents	68,739	8,908	73,449
Cash and cash equivalents at beginning of the year	97,142	88,234	14,785
Cash and cash equivalents at end of the year	$165,881	$ 97,142	$ 88,234

Net Cash Provided by Operating Activities

	Year Ended December 31, 2013	2012	2011
	(in thousands)		
Net income	$ 31,530	$25,993	$ 16,961
Depreciation and amortization expense	14,112	14,192	11,556
Stock-based compensation expense	10,507	4,048	471
Deferred income tax (benefit) expense	(2,828)	(1,796)	1,204
Excess income tax benefit from stock-based compensation	(2,028)	—	—
Non-cash interest expense	996	816	3,662
Impairment of assets	—	4,924	—
Amortization of deferred compensation	2,527	1,082	—
Changes in operating assets and liabilities	(23,557)	(7,506)	(7,107)
Other non-cash expense, net	271	500	2,618
Net cash provided by operating activities	$ 31,530	$42,253	$ 29,365

Cash provided by operating activities primarily consists of our net income adjusted for certain non-cash items, including depreciation and amortization, stock-based compensation, non-cash impairment of intangible assets, deferred income taxes, non-cash interest expense, fair value adjustments associated with other financing arrangements and the effect of changes in working capital and other items. Net cash provided by operating activities was $31.5 million, $42.3 million and $29.4 million during the years ended December 31, 2013, 2012 and 2011, respectively.

During the year ended December 31, 2013, cash flows from operating activities were primarily generated through net income of $31.5 million, including the impact of depreciation and amortization expense of $14.1 million, stock-based compensation expense of $10.5 million, amortization of deferred compensation of $2.5 million, non-cash interest expense of $1.0 million, and other non-cash charges of $0.3 million, net, offset by $23.6 million from changes in cash flows associated with working capital, a deferred income tax benefit of $2.8 million and excess income tax benefit from stock-based compensation of $2.0 million. The changes in cash flows associated with working capital were primarily driven by an increase in accounts receivable of $25.7 million due to our net revenues growth.

During 2012, cash flows from operating activities were generated through net income of $26.0 million, adding back depreciation and amortization of $14.2 million, stock-based compensation expense of $4.0 million, non-cash interest expense of $0.8 million, other non-cash expense and fair value change in liabilities of $(0.1) million, impairment of assets of $4.9 million and amortization of deferred compensation of $1.1 million, partially offset by deferred income tax expense of $1.8 million and a decrease in cash flows associated with changes in working capital of $7.5 million. The increase in working capital was primarily caused by an increase in accounts receivable of $9.3 million due to our growth of net revenues.

During 2011, cash flows from operating activities were generated through net income of $17.0 million, adding back depreciation and amortization of $11.6 million, non-cash interest expense of $3.7 million, charges associated with the fair value changes of a common stock warrant of $2.1 million, a deferred income tax benefit of $1.2 million and stock-based compensation expense of $0.5 million. These positive cash flows were partially offset by a $7.1 million decrease in cash flows associated with changes in working capital, primarily driven by the growth of our business resulting in an increase in accounts receivable of $13.7 million, which were partially offset by an increase in accrued expenses and other current liabilities of $6.5 million.

Net Cash Used in Investing Activities

	Year Ended December 31, 2013	2012	2011
	(in thousands)		
Payments for acquisition of businesses, net of acquired cash	$(28,613)	$(10,290)	$(32,603)
Purchase of property and equipment	(6,487)	(3,089)	(1,808)
Purchase of other assets	(1,796)	—	—
Net cash used in investing activities	$(36,896)	$(13,379)	$(34,411)

Our primary investing activities consist of business acquisitions and purchases of property and equipment. Net cash used in investing activities was $36.9 million, $13.4 million and $34.4 million during the years ended December 31, 2013, 2012 and 2011, respectively. We used $11.4 million to acquire the business of YSL Ventures, Inc., $15.3 million to acquire the business of Ma-Reduc.com and $1.9 million to acquire the business of Actiepagina.nl in 2013, $10.3 million for our acquisitions of the businesses Bons-de-Reduction.com and Poulpeo.com during 2012 and $32.6 million to acquire the business of VoucherCodes.co.uk during 2011. The remainder of our investing activities during these periods was comprised of purchases of computer equipment and software, office furniture and fixtures, leasehold improvements and other assets. As we continue to expand our business and facilities, we intend to purchase additional technology resources and invest in our operating facilities. We may have acquisitions in the future that could have a material impact on our cash flows and operations.

Net Cash Provided by (Used in) Financing Activities

	Year Ended December 31, 2013	2012	2011
	(in thousands)		
Proceeds from initial public offering, net of offering costs	$ 85,365	$ —	$ —
Proceeds from follow-on offering, net of offering costs	49,107	—	—
Payments of preferred stock dividends	(58,682)	—	—
Proceeds from notes payable, net of issuance costs	33,069	—	—
Payments on notes payable	(38,925)	(20,333)	(29,427)
Proceeds from issuance of preferred stock, net of issuance costs	—	—	177,860
Payments for repurchase of preferred stock	—	—	(70,000)
Proceeds from exercise of options and warrants to purchase common stock	1,753	251	173
Excess income tax benefit from stock-based compensation	2,028	—	—
Payments of principal on capital lease arrangements	(11)	—	—
Net cash provided by (used in) financing activities	$ 73,704	$(20,082)	$ 78,606

Our primary financing activities consist of net proceeds from the issuance of shares of our common and preferred stock, the exercise of stock options by employees and borrowings and repayments of senior debt and subordinated debt and notes payable issued in connection with acquisitions. Net cash provided by financing activities was $73.7 million and $78.6 million during the years ended December 31, 2013 and 2011, respectively. Net cash used in financing activities was $20.1 million for the year ended December 31, 2012.

During 2013, we received approximately $49.1 million of net proceeds, after deducting underwriting discounts and commissions and offering expenses, from the sale of shares of our common stock by us in our follow-on public offering and we received $85.4 million of net proceeds, after deducting underwriting discounts and commissions and offering expenses, from the sale of shares of our Series 1 common stock by us in our initial public offering. With the proceeds to us of our initial public offering, we (i) paid in full accumulated dividends on our previously outstanding shares of preferred stock, which totaled approximately $52.5 million, and (ii) repaid the outstanding principal and accrued interest on seller notes issued in connection with our acquisition

of eConversions Limited in 2011, which totaled approximately $6.6 million. We also paid approximately $6.1 million in deemed dividends to investors in exchange for voting in favor of the conversion of preferred stock to common stock in connection with our initial public offering. We borrowed $33.1 million, net of issuance costs, in connection with the amendment of our senior debt, and used $32.9 million to repay portions of our senior debt and the seller notes issued in connection with our acquisition of the businesses of Bons-de-Reduction.com and Poulpeo.com during 2012.

During 2012, we used $20.3 million to repay a portion of our senior debt and extinguish certain notes payable. During 2011, we raised $177.9 million, net of issuance costs, through the sale of shares of our preferred stock and used $70.0 million to repurchase outstanding shares of our preferred stock. We also used $29.4 million to extinguish our outstanding subordinated debt and a portion of our senior debt and notes payable. During November 2010, we raised $86.2 million, net of issuance costs, through the sale of shares of our preferred stock and borrowed $55.3 million, net of issuance costs, through bank borrowings.

Capital Resources

We believe that our existing cash, cash equivalents and cash generated from operations will be sufficient to satisfy our currently anticipated cash requirements through at least the next 12 months.

On July 24, 2013, we completed our initial public offering of 10,454,544 shares of Series 1 common stock, at a price of $21.00 per share, before underwriting discounts and commissions. We sold 4,545,454 of such shares and existing stockholders sold an aggregate of 5,909,090 of such shares, including 1,363,636 shares sold by selling stockholders as a result of the underwriters' exercise of their over-allotment option to purchase additional shares. Our initial public offering generated net proceeds to us of approximately $85.4 million, after deducting underwriting discounts, commissions and expenses. Expenses incurred by us for our initial public offering were approximately $3.4 million and were recorded against the net proceeds received by us from our initial public offering. We did not receive any proceeds from the sale of shares by the selling stockholders in our initial public offering.

On December 16, 2013, we completed our follow-on offering of 7,207,207 shares of Series 1 common stock, at a price of $26.00 per share before underwriting discounts and commissions. We sold 2,000,000 of such shares and existing stockholders sold an aggregate of 5,207,207 of such shares, including 940,070 shares sold by selling stockholders as a result of the underwriters' exercise of their option to purchase additional shares. The follow-on offering generated net proceeds to us of $49.1 million, after deducting underwriting discounts and commissions. Expenses incurred by us for the follow-on offering were approximately $0.6 million and were recorded against the proceeds received from the follow-on offering. We did not receive any proceeds from the sale of shares by the selling stockholders in the follow-on offering.

With the net proceeds of our initial public offering and our follow-on offering, we (i) paid in full accumulated dividends on our previously outstanding shares of preferred stock, which totaled approximately $52.5 million, (ii) repaid the outstanding principal and accrued interest on seller notes issued in connection with our acquisition of eConversions Limited in 2011, which totaled approximately $6.6 million, (iii) repaid $1.75 million of our senior debt in October 2013, (iv) acquired the business of YSL Ventures, Inc. in October 2013 for approximately $11.6 million in cash consideration and entered into deferred compensation arrangements with the former owners of YSL Ventures, Inc., which totaled approximately $6.2 million and (v) repaid $1.75 million of our senior debt in January 2014.

Our future capital requirements will depend on many factors, including our rate of net revenues growth, the expansion of our marketing and sales initiatives, the timing and extent of spending to support product development efforts, the timing of introductions of new products and services and enhancements to existing products and services, potential acquisitions and the continuing market acceptance of our products and services. We may need to raise additional capital through future debt or equity financing to the extent necessary to fund such activities. Additional financing may not be available at all or on terms favorable to us. We may enter into

arrangements in the future with respect to investments in, or acquisitions of, similar or complementary businesses, products, services or technologies, which could also require us to seek additional debt or equity financing.

On July 1, 2013, we entered into an amended and restated revolving credit and term loan agreement with certain lenders, or Senior Debt. The Senior Debt consists of a $115.0 million revolving credit facility and a $35.0 million term loan facility. The term loan facility was fully borrowed on July 1, 2013, and was used, in part, to fully prepay the borrowings under our prior senior debt facility, which obligations were repaid in full effective upon closing of the Senior Debt. There are no amounts currently outstanding under the revolving credit facility. On December 31, 2013, we had $95.2 million available for borrowings under the revolving credit facility.

We pay a quarterly revolving credit facility fee of 50 basis points. At our option, borrowings under both the term loan facility and the revolving credit facility bear interest at either the base rate or a eurodollar-based rate (each as more fully described in the amended and restated revolving credit and term loan agreement) plus an applicable margin as determined based on the funded debt to EBITDA ratio (as more fully described in the amended and restated revolving credit and term loan agreement). These rates are summarized in the following table:

Basis for Pricing	Level I	Level II
Consolidated Funded Debt/EBITDA	<1.00:1.00	≥1.00:1.0
Revolving Credit Eurodollar Margin (LIBOR)	200 basis points	250 basis points
Revolving Credit Base Rate Margin	100 basis points	150 basis points
Term Loan Eurodollar Margin (LIBOR)	262.5 basis points	312.5 basis points
Term Loan Base Rate Margin	162.5 basis points	212.5 basis points

Interest is payable quarterly in arrears for base rate borrowings and on the last day of the applicable eurodollar-interest period for any eurodollar-based borrowings. Principal payments on the term loan facility of $1.75 million are due on the first day of each quarter beginning October 1, 2013, with any remaining balance due in July 2018. Borrowings under the revolving credit facility are automatically converted to five-year term loans at any time such outstanding amounts are greater than or equal to $25.0 million and carry the same maturity date as the initial $35.0 million term loan. Mandatory prepayments include net cash proceeds from certain asset sales, 100% of the net cash proceeds of any subordinated debt and 50% of the net cash proceeds of certain equity transactions consummated on or before June 30, 2014, excluding the cash proceeds from our December 16, 2013 follow-on offering, and any equity interests issued under certain stock option or employer incentive plans.

The Senior Debt has priority in repayment to all other outstanding debt. We have granted our lenders a security interest in substantially all of our assets, including intellectual property, pursuant to a security agreement and an intellectual property security agreement, except that the security interest shall apply only after the funded debt to EBITDA ratio is greater than or equal to 1:00 to 1:00. We are subject to complying with certain financial covenants, including minimum trailing twelve month EBITDA levels, funded debt to EBITDA ratio and a fixed charge coverage ratio (each as more fully described in the amended and restated revolving credit and term loan agreement). The amended and restated revolving credit and term loan agreement contains customary affirmative and negative covenants and prohibits, among other things and subject to certain exceptions, the incurrence of additional debt, payment of other debt obligations, incurrence of liens, acquisitions of businesses or capital expenditures, sales of businesses or assets, payment of dividends, making loans or advances and certain other restrictions. The amended and restated revolving credit and term loan agreement also contains customary events of default including, among others, payment defaults, breaches of covenants, bankruptcy and insolvency events, cross defaults with certain material indebtedness, judgment defaults, change of control and breaches of representations and warranties.

Contractual Obligations

The following table summarizes our future contractual obligations as of December 31, 2013:

Contractual Obligations	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
	Payment Due By Period (in thousands)				
Debt obligations (including short-term debt) (1)	$41,313	$ 15,063	$ 14,000	$ 12,250	$ —
Operating lease obligations (2)	25,041	2,800	6,612	7,018	8,611
Purchase obligations (3)	860	782	78	—	—
Capital lease obligations (4)	19	13	6	—	—
Total	$67,233	$ 18,658	$ 20,696	$ 19,268	$ 8,611

(1) Reflects the principal payments on the Prior Senior Debt and notes payable. These amounts exclude estimated cash interest payments of approximately $1.9 million in 2014, $1.3 million in 2015, $1.1 million in 2016, $0.8 million in 2017 and $0.5 million in 2018 (based on applicable interest rates as of December 31, 2013, in the case of variable interest rate debt).

(2) We lease our principal office facilities, including our headquarters in Austin, Texas, under non-cancellable operating leases. Certain leases contain periodic rent escalation adjustments and renewal and expansion options. We recognize rent expense on a straight-line basis over the lease periods. Operating lease obligations expire at various dates with the latest maturity in 2020. We are also responsible for certain real estate taxes, utilities, and maintenance costs on our office facilities.

(3) Purchase obligations primarily represent non-cancelable contractual obligations related to content licensing and technology agreements.

(4) Some of our office equipment leases such as printers and copiers are treated as capital leases.

Off-Balance Sheet Arrangements

For the years ended December 31, 2013, 2012 and 2011, we did not, and we do not currently, have any off-balance sheet arrangements.

Recently Issued and Adopted Accounting Pronouncements

In February 2013, the FASB issued new guidance that amends the presentation of items reclassified from accumulated other comprehensive income to net income. The guidance requires that information regarding such reclassifications is presented by component and reported in one place within the financial statements. We adopted these provisions on January 1, 2013, which only affect how we present information about reclassifications from accumulated other comprehensive income to net income. The adoption of these provisions had no impact on our financial position, results of operations or cash flows.

JOBS Act

The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. As defined in the JOBS Act, a public company whose initial public offering of common equity securities occurred after December 8, 2011 and whose annual gross revenues are less than $1.0 billion will, in general, qualify as an “emerging growth company” until the earliest of:

- the last day of its fiscal year following the fifth anniversary of the date of its initial public offering of common equity securities;
- the last day of its fiscal year in which it has annual gross revenue of $1.0 billion or more;
- the date on which it has, during the previous three-year period, issued more than $1.0 billion in non-convertible debt; and

- the date on which it is deemed to be a "large accelerated filer," which will occur at such time as the company (a) has an aggregate worldwide market value of common equity securities held by non-affiliates of $700 million or more as of the last business day of its most recently completed second fiscal quarter, (b) has been required to file annual and quarterly reports under the Exchange Act for a period of at least 12 months and (c) has filed at least one annual report pursuant to the Securities Act of 1934, as amended.

Under this definition, we are an "emerging growth company" and could remain one until as late as December 31, 2018.

As an "emerging growth company" we have chosen to rely on such exemptions and are therefore not required to, among other things, (i) provide an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404, (ii) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd-Frank Wall Street Reform and Consumer Protection Act, (iii) comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding a supplement to the auditor's report providing additional information about the audit and the financial statements (auditor discussion and analysis) and (iv) disclose certain executive compensation-related items such as the correlation between executive compensation and performance and comparisons of the Chief Executive Officer's compensation to median employee compensation.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

We have both U.S. and international operations, and we are exposed to market risks in the ordinary course of our business, including the effect of foreign currency fluctuations, interest rate changes and inflation. Information relating to quantitative and qualitative disclosures about these market risks is set forth below.

Foreign Currency Exchange Risk

We transact business in various currencies other than the U.S. dollar, principally the British pound sterling and the Euro, which exposes us to foreign currency risk. Net revenues and related expenses generated from our international operations are denominated in the functional currencies of the corresponding country. The functional currency of each of our non-U.S. subsidiaries that either operate or support these markets is generally the same as the corresponding local currency. Although we have experienced and will continue to experience fluctuations in our net income as a result of the consolidation of our international operations due to transaction gains (losses) related to revaluing certain cash balances and trade accounts receivable that are denominated in currencies other than the U.S. dollar, we believe such a change will not have a material impact on our results of operations.

We assess our market risk based on changes in foreign currency exchange rates utilizing a sensitivity analysis that measures the potential impact in earnings, fair values and cash flows based on a hypothetical 10% change (increase and decrease) in currency rates. We use a current market pricing model to assess the changes in the value of the U.S. dollar on foreign currency denominated monetary assets and liabilities.

The primary assumption used in these models is a hypothetical 10% weakening or strengthening of the U.S. dollar against all of our currency exposures as of December 31, 2013, assuming instantaneous and parallel shifts in exchange rates. As of December 31, 2013, our working capital surplus (defined as current assets less current liabilities) subject to foreign currency translation risk was $10.9 million. The potential decrease in net current assets from a hypothetical 10.0% adverse change in quoted foreign currency exchange rates would be $1.1 million.

Interest Rate Risk

As of December 31, 2013, we had total notes payable of $41.3 million, including $33.3 million of variable interest rate debt based on 3-month LIBOR. Our variable interest rate debt is subject to interest rate risk, because

our interest payments will fluctuate with movements in the underlying 3-month LIBOR rate. A 100 basis point change in LIBOR rates would result in an increase in our interest expense of $0.3 million for the next twelve months based on current outstanding borrowings.

Our exposure to market risk on our cash and cash equivalents for changes in interest rates is limited because nearly all of our cash and cash equivalents have a short-term maturity and are used primarily for working capital purposes.

Impact of Inflation

We believe that our results of operations are not materially impacted by moderate changes in the inflation rate. Inflation and changing prices did not have a material effect on our business, financial condition or results of operations in 2013, 2012, or 2011.

Item 8. Financial Statements.

The information required by this item is incorporated by reference to the consolidated financial statements and accompanying notes set forth on pages F-1 through F-30 of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act refers to controls and procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to a company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2013, the end of the period covered by this Annual Report on Form 10-K. Based upon such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of such date.

Management's Report on Internal Control Over Financial Reporting and Attestation Report of the Registered Public Accounting Firm

This Annual Report on Form 10-K does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of our registered public accounting firm due to a transition period established by rules of the SEC for newly public companies and our status as an "emerging growth company" under the JOBS Act.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31 2013, which were identified in connection with management's evaluation required by Rules

13a-15(d) and 15d-15(d) under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Controls

Our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives as specified above. Management does not expect, however, that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by Part III, Item 10, will be included in our Proxy Statement relating to our 2013 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2013, and is incorporated herein by reference.

Item 11. Executive Compensation

Information required by Part III, Item 11, will be included in our Proxy Statement relating to our 2013 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2013, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information required by Part III, Item 12, will be included in our Proxy Statement relating to our 2013 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2013, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions and Director Independence.

Information required by Part III, Item 13, will be included in our Proxy Statement relating to our 2013 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2013, and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

Information required by Part III, Item 14, will be included in our Proxy Statement relating to our 2013 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2013, and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) Documents Filed with Report

(1) *Financial Statements.*

(2) *Exhibits.*

The information required by this Item is set forth on the exhibit index that follows the signature page of this Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 18, 2014

RETAILMENOT, INC.

By: /S/ G. COTTER CUNNINGHAM
G. Cotter Cunningham
President and Chief Executive Officer

SIGNATURES AND POWER OF ATTORNEY

Each person whose individual signature appears below hereby authorizes and appoints G. Cotter Cunningham, Douglas C. Jeffries and Louis J. Agnese, III, and each of them, with full power of substitution and resubstitution and full power to act without the other, as his or her true and lawful attorney-in-fact and agent to act in his or her name, place and stead and to execute in the name and on behalf of each person, individually and in each capacity stated below, and to file any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing, ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated.

Signature	Title	Date
/S/ G. COTTER CUNNINGHAM *G. Cotter Cunningham*	President, Chief Executive Officer (Principal Executive Officer) and Director	February 18, 2014
/S/ DOUGLAS C. JEFFRIES *Douglas C. Jeffries*	Chief Financial Officer (Principal Financial Officer)	February 18, 2014
/S/ THOMAS E. AYLOR *Thomas E. Aylor*	Principal Accounting Officer	February 18, 2014
/S/ C. THOMAS BALL *C. Thomas Ball*	Director	February 18, 2014
/S/ JEFFREY M. CROWE *Jeffrey M. Crowe*	Director	February 18, 2014
/S/ KARIM B. FARIS *Karim B. Faris*	Director	February 18, 2014
/S/ JULES A. MALTZ *Jules A. Maltz*	Director	February 18, 2014
/S/ GOKUL RAJARAM *Gokul Rajaram*	Director	February 18, 2014
/S/ GREG J. SANTORA *Greg J. Santora*	Director	February 18, 2014
/S/ BRIAN H. SHARPLES *Brian H. Sharples*	Director	February 18, 2014

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of RetailMeNot, Inc.

We have audited the accompanying consolidated balance sheets of RetailMeNot, Inc. as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of RetailMeNot, Inc. at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Austin, Texas
February 18, 2014

RETAILMENOT, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	December 31, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$165,881	$ 97,142
Accounts receivable (net of allowance for doubtful accounts of $867 and $933 at December 31, 2013 and 2012, respectively)	59,286	32,315
Prepaids and other current assets, net	10,661	1,939
Total current assets	235,828	131,396
Property and equipment, net	10,317	4,921
Intangible assets, net	80,813	77,985
Goodwill	179,659	152,755
Other assets, net	5,465	3,863
Total assets	$512,082	$370,920
Liabilities, Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	$ 6,217	$ 4,640
Accrued compensation and benefits	9,875	5,906
Accrued expenses and other current liabilities	5,586	4,794
Income taxes payable	4,835	1,254
Current maturities of long term debt	15,063	16,650
Total current liabilities	41,576	33,244
Deferred tax liability—noncurrent	8,796	6,631
Long term debt	26,250	22,275
Other noncurrent liabilities	4,151	1,116
Total liabilities	80,773	63,266
Commitments and contingencies		
Redeemable convertible preferred stock:		
Series B-1: $0.001 par value; No shares authorized, issued and outstanding as of December 31, 2013; 9,365,258 shares authorized and 6,993,977 shares issued and outstanding as of December 31, 2012.	—	30,841
Series B-2: $0.001 par value; No shares authorized, issued and outstanding as of December 31, 2013; 28,946,412 shares authorized and 26,846,339 shares issued and outstanding as of December 31, 2012.	—	143,682
Series B-3: $0.001 par value; No shares authorized, issued and outstanding as of December 31, 2013; 3,125,000 shares authorized and 3,053,747 shares issued and outstanding as of December 31, 2012.	—	54,636
Series BB-3: $0.001 par value, No shares authorized, issued and outstanding as of December 31, 2013; 6,107,495 shares authorized and 6,107,494 shares issued and outstanding as of December 31, 2012.	—	109,273
Series B-4: $0.001 par value; No shares authorized, issued and outstanding as of December 31, 2013; 966,481 shares authorized and 966,479 shares issued and outstanding as of December 31, 2012.	—	7,518
Series B-5: $0.001 par value; No shares authorized, issued and outstanding as of December 31, 2013; 1,250,000 shares authorized and 182,425 shares issued and outstanding as of December 31, 2012.	—	3,077
Stockholders' equity (deficit):		
Preferred stock: $0.001 par value; 10,000,000 shares authorized, no shares issued and outstanding as of December 31, 2013; no shares authorized, issued or outstanding as of December 31, 2012.	—	—
Series 1 common stock: $0.001 par value, 150,000,000 shares authorized; 46,569,376 and 947,953 shares issued and outstanding as of December 31, 2013 and 2012, respectively.	47	1
Series 2 common stock: $0.001 par value, 6,107,494 shares authorized; 6,107,494 and no shares issued and outstanding as of December 31, 2013 and 2012, respectively.	6	—
Additional paid-in capital	467,461	8,579
Accumulated other comprehensive benefit (loss)	1,538	(543)
Accumulated deficit	(37,743)	(49,410)
Total stockholders' equity (deficit)	431,309	(41,373)
Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)	$512,082	$370,920

See the accompanying notes, which are an integral part of these Consolidated Financial Statements.

RETAILMENOT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Year Ended December 31, 2013	2012	2011
Net revenues	$209,836	$ 144,685	$ 80,402
Costs and expenses:			
Cost of net revenues	13,049	9,113	3,980
Product development	30,566	14,481	4,388
Sales and marketing	70,303	40,672	15,341
General and administrative	28,583	15,758	6,883
Amortization of purchased intangible assets	12,081	13,158	11,296
Other operating expenses	2,525	6,006	35
Total costs and expenses	157,107	99,188	41,923
Income from operations	52,729	45,497	38,479
Other income (expense):			
Interest expense, net	(2,980)	(3,221)	(7,784)
Fair value change of common stock warrant	—	—	(2,103)
Other income (expense), net	672	77	(129)
Income before income taxes	50,421	42,353	28,463
Provision for income taxes	(18,891)	(16,360)	(11,502)
Net income	$ 31,530	$ 25,993	$ 16,961
Preferred stock dividends on participating preferred stock	(19,928)	(24,577)	(64,715)
Total undistributed earnings (loss)	11,602	1,416	(47,754)
Undistributed earnings allocated to participating preferred stock	(5,998)	(1,390)	—
Net income (loss) attributable to common stockholders	$ 5,604	$ 26	$ (47,754)
Net income (loss) per share attributable to common stockholders:			
Basic	$ 0.24	$ 0.03	$ (64.19)
Diluted	$ 0.23	$ 0.03	$ (64.19)
Weighted-average number of common shares used in computing net income (loss) per share:			
Basic	23,074	841	744
Diluted	25,742	2,277	744

See the accompanying notes, which are an integral part of these Consolidated Financial Statements.

RETAILMENOT, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Year Ended December 31,		
	2013	2012	2011
Net income	$31,530	$25,993	$16,961
Other comprehensive income, net of tax:			
Foreign currency translation adjustments	2,081	1,749	(2,292)
Comprehensive income	$33,611	$27,742	$14,669

See the accompanying notes, which are an integral part of these Consolidated Financial Statements.

RETAILMETNOT, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(in thousands, except share amounts)

	Series 1 Common Stock		Series 2 Common Stock					
	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholder's Equity (Deficit)
Balance at December 31, 2010	764,435	$ 1	—	$ —	$ 105	$ (3,072)	$ —	$ (2,966)
Net income	—	—	—	—	—	16,961	—	16,961
Foreign currency translation adjustment	—	—	—	—	—	—	(2,292)	(2,292)
Exercise of stock options	85,294	—	—	—	23	—	—	23
Reclassification of common stock warrant	—	—	—	—	3,577	—	—	3,577
Stock—based compensation expense	—	—	—	—	471	—	—	471
Preferred stock dividend from repurchase of preferred stock	—	—	—	—	—	(49,927)	—	(49,927)
Accretion of preferred stock dividends	—	—	—	—	—	(14,788)	—	(14,788)
Balance at December 31, 2011	849,729	1	—	—	4,176	(50,826)	(2,292)	(48,941)
Net income	—	—	—	—	—	25,993		25,993
Foreign currency translation adjustment	—	—	—	—	—	—	1,749	1,749
Exercise of stock options	98,224	—	—	—	355	—	—	355
Stock—based compensation expense	—	—	—	—	4,048	—	—	4,048
Accretion of preferred stock dividends	—	—	—	—	—	(24,577)	—	(24,577)
Balance at December 31, 2012	947,953	1	—	—	8,579	(49,410)	(543)	(41,373)
Net income	—	—	—	—	—	31,530	—	31,530
Issuance of common stock upon initial public offering, net of offering costs	4,545,454	5	—	—	85,360	—	—	85,365
Conversion of preferred stock to common stock upon initial public offering	38,072,967	38	6,107,494	6	310,165	—	—	310,209
Issuance of common stock upon secondary public offering, net of offering costs	2,000,000	2	—	—	49,105	—	—	49,107
Foreign currency translation adjustment	—	—	—	—	—	—	2,081	2,081
Exercise of common stock warrant	457,796	—	—	—	1	—	—	1
Exercise of stock options	544,852	1	—	—	1,716	—	—	1,717
Issuance of restricted stock, net of shares withheld for taxes	354	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	10,507	—	—	10,507
Excess income tax benefit from stock-based compensation	—	—	—	—	2,028	—	—	2,028
Accretion of preferred stock dividends	—	—	—	—	—	(19,863)	—	(19,863)
Balance at December 31, 2013	46,569,376	$ 47	6,107,494	$ 6	$ 467,461	$ (37,743)	$ 1,538	$ 431,309

See the accompanying notes, which are an integral part of these Consolidated Financial Statements.

RETAILMENOT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31, 2013	2012	2011
Cash flows from operating activities:			
Net income	$ 31,530	$ 25,993	$ 16,961
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	14,112	14,192	11,556
Stock-based compensation expense	10,507	4,048	471
Deferred income tax (benefit) expense	(2,828)	(1,796)	1,204
Excess income tax benefit from stock-based compensation	(2,028)	—	—
Non-cash interest expense	996	816	3,662
Impairment of assets	—	4,924	—
Amortization of deferred compensation	2,527	1,082	—
Other non-cash expense and fair value change in liabilities, net	91	(104)	2,405
Provision for doubtful accounts receivable	180	604	213
Changes in operating assets and liabilities:			
Accounts receivable, net	(25,747)	(9,285)	(13,696)
Prepaid expenses and other current assets, net	(5,873)	(983)	(272)
Accounts payable	1,209	2,975	798
Accrued expenses and other current liabilities	9,966	(251)	6,479
Other noncurrent assets and liabilities	(3,112)	38	(416)
Net cash provided by operating activities	31,530	42,253	29,365
Cash flows from investing activities:			
Payments for acquisition of businesses, net of acquired cash	(28,613)	(10,290)	(32,603)
Purchase of property and equipment	(6,487)	(3,089)	(1,808)
Purchase of other assets	(1,796)	—	—
Net cash used in investing activities	(36,896)	(13,379)	(34,411)
Cash flows from financing activities:			
Proceeds from initial public offering, net of offering costs	85,365	—	—
Proceeds from follow-on offering, net of offering costs	49,107	—	—
Payments of preferred stock dividends	(58,682)	—	—
Proceeds from notes payable, net of issuance costs	33,069	—	—
Payments on notes payable	(38,925)	(20,333)	(29,427)
Proceeds from issuance of preferred stock, net of issuance costs	—	—	177,860
Payments for repurchase of preferred stock	—	—	(70,000)
Proceeds from exercise of options and warrants to purchase common stock	1,753	251	173
Excess income tax benefit from stock-based compensation	2,028	—	—
Payments of principal on capital lease arrangements	(11)	—	—
Net cash provided by (used in) financing activities	73,704	(20,082)	78,606
Effect of foreign currency exchange rate on cash	401	116	(111)
Change in cash and cash equivalents	68,739	8,908	73,449
Cash and cash equivalents, beginning of year	97,142	88,234	14,785
Cash and cash equivalents, end of year	$165,881	$ 97,142	$ 88,234
Supplemental disclosure of cash flow information			
Cash interest payments	$ 1,777	$ 2,136	$ 4,188
Income tax payments	$ 16,087	$ 22,080	$ 6,682
Supplemental disclosure of non-cash investing activities			
Issuance of preferred stock in connection with acquisition	$ —	$ 3,000	$ 7,000
Issuance of notes payable in connection with acquisition	$ 6,085	$ 3,500	$ 6,000
Supplemental disclosure of non-cash financing activities			
Reclassification of common stock warrant	$ —	$ —	$ 3,577
Accretion of preferred stock dividends	$ 19,928	$ 24,577	$ 14,788
Exercise of preferred stock warrants	$ —	$ —	$ 2,704

See the accompanying notes, which are an integral part of these Consolidated Financial Statements.

RETAILMENOT, INC.
Notes to Consolidated Financial Statements

1. Description of Business

We operate the world's largest digital coupon marketplace, including the largest digital coupon marketplace in the U.S., RetailMeNot.com, and in the U.K., VoucherCodes.co.uk, and the largest portfolio of digital coupon websites in France, Bons-de-Reduction.com, Poulpeo.com and Ma-Reduc.com, connecting consumers with leading retailers and brands. Our websites, mobile applications, email newsletters and alerts and social media presence enable consumers to search for, discover and redeem relevant digital coupons from retailers and brands. Our marketplace features digital coupons across multiple product categories, including clothing; electronics; health and beauty; home and office; travel, food and entertainment; personal and business services; and shoes. We believe our investments in digital coupon content quality, product innovation and direct retailer relationships allow us to offer a compelling experience to consumers looking to save money, whether online or in-store.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The consolidated financial statements include the accounts of the Company and our wholly owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. All significant intercompany transactions and balances have been eliminated.

Reclassifications

Certain prior period amounts in the accompanying consolidated financial statements have been reclassified to conform to the current year presentation. These changes consisted of a reclassification to combine certain line items in the accompanying consolidated balance sheets. These reclassifications did not impact previously reported total current assets, total assets, total current liabilities, or total liabilities in the accompanying consolidated balance sheets.

Significant Estimates and Judgments

The preparation of our consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of net revenues and expenses during the reporting periods. These estimates and assumptions could have a material effect on our future results of operations and financial position. Significant items subject to our estimates and assumptions include stock-based compensation, income taxes, valuation of acquired goodwill and intangible assets, allowance for doubtful accounts, revenue returns reserve, unrecognized tax benefits, acquisition-related contingent liabilities and the useful lives of property and equipment and intangible assets. As a result, actual amounts could differ from those presented herein.

Business Segment

We have one operating and reporting segment consisting of various products and services that are all related to our marketplace for digital coupons. Our chief operating decision maker is our Chief Executive Officer. Our Chief Executive Officer allocates resources and assesses performance of the business and other activities at a single reporting segment level.

Cash and Cash Equivalents

All highly-liquid investments with an original maturity of three months or less at the date of purchase are considered to be cash equivalents. As of December 31, 2013 and 2012, we maintained all cash and cash equivalent balances in operating, savings and U.S. money market deposit accounts.

Accounts Receivable, Net

Accounts receivable, net represent amounts due from retailers, through various performance marketing networks, for commissions earned on consumer purchases. We record an allowance for doubtful accounts in an amount equal to the estimated probable losses net of recoveries, which are based on an analysis of historical bad debt, current receivables aging and expected future write-offs of uncollectible accounts, as well as an assessment of specific identifiable accounts considered at risk or uncollectible. The following table summarizes our allowance for doubtful accounts (in thousands):

	Beginning Balance	Additions Charged to Expense	Write-offs	Ending Balance
Allowance for doubtful accounts:				
Year ended December 31, 2011	$ 82	215	(2)	$ 295
Year ended December 31, 2012	295	639	(1)	933
Year ended December 31, 2013	933	142	(208)	867

Property and Equipment, Net

Property and equipment, net includes assets such as furniture and fixtures, leasehold improvements, computer hardware, and office and telephone equipment. We record property and equipment at cost less accumulated depreciation and amortization. Ordinary maintenance and repairs are charged to expense, while expenditures that extend the physical or economic life of the assets are capitalized. Property and equipment are depreciated over their estimated economic lives, which range from three to five years, using the straight-line method. Leasehold improvements are amortized over the shorter of the estimated useful lives of the improvements or the lease term. We perform reviews for the impairment of property and equipment when it believes events or circumstances indicate the carrying amount of an asset may not be recoverable.

Goodwill and Other Intangible Assets

Goodwill arises from business combinations and is measured as the excess of the cost of the business acquired over the sum of the acquisition-date fair values of tangible and identifiable intangible assets acquired, less any liabilities assumed.

We evaluate goodwill for impairment annually, during the fourth quarter of each year, or more frequently when an event occurs or circumstances change that indicates the carrying value may not be recoverable. Events or circumstances that could trigger an impairment test include, but are not limited to, a significant adverse change in the business climate or in legal factors, an adverse action or assessment by a regulator, a loss of key personnel, significant changes in our use of the acquired assets or the strategy for our overall business, significant negative industry or economic trends, significant underperformance relative to operating performance indicators and significant changes in competition. The Company determined that no triggering events occurred during the year ended December 31, 2013.

We evaluate the recoverability of goodwill using what is referred to as the “Step 0” analysis, which involves evaluating qualitative factors, including macroeconomic conditions, industry and market considerations, cost factors, and overall financial performance related to our goodwill. If our “Step 0” analysis indicates that it is more likely than not that the fair value of our sole reporting unit is less than carrying amount, we perform a two-step impairment process tested at our sole reporting segment level. In the first step, the fair value for our reporting unit is compared to our book value including goodwill. In the case that the fair value is less than the book value, a second step is performed that compares the implied fair value of goodwill to the book value of the goodwill. The fair value for the implied goodwill is determined based on the difference between the fair value of the sole reporting segment and the net fair value of the identifiable assets and liabilities excluding goodwill. If the implied fair value of the goodwill is less than the book value, the difference is recognized as an impairment charge in the consolidated statements of operations. If, after assessing the totality of events or circumstances, we

determine that it is not more likely than not that the fair value of our reporting unit is less than its carrying amount, then the quantitative impairment tests are unnecessary. Our annual evaluation of goodwill for impairment was as of October 1, 2013, and we determined that the quantitative tests were not necessary. We did not record any goodwill impairment charges during the years ended December 31, 2013, 2012 and 2011.

Identifiable intangible assets consist of acquired customer intangible assets, marketing-related intangible assets, contract-based intangible assets, and technology-based intangible assets. Intangible assets with definite lives are amortized over their estimated useful lives on a straight-line or accelerated basis. See Note 4, "Goodwill and Other Intangible Assets". The method of amortization applied represents our best estimate of the distribution of the economic value of the identifiable intangible assets. The factors we considered in determining the useful lives of identifiable intangible assets included the extent to which expected future cash flows would be affected by our intent and ability to retain use of these assets, including the period of time that would capture 90% or more of the assets value on a perpetuity basis.

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of intangible assets may not be recoverable. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or any other significant adverse change that would indicate that the carrying amount of an asset or group of assets may not be recoverable. When such events occur, we compare the carrying amounts of the assets to their undiscounted cash flows. If this comparison indicates that there is impairment, the amount of the impairment is calculated as the difference between the carrying value and the fair value.

Deferred Financing Costs

We capitalize underwriting, legal and other direct costs incurred related to the issuance of debt, which are recorded as deferred charges and amortized to interest expense over the term of the related debt using the effective interest method. Upon the extinguishment of the related debt, any unamortized capitalized deferred financing costs are recorded to interest expense.

Lease Obligations

We categorize leases at their inception as either operating or capital leases, and may receive renewal or expansion options, rent holidays, leasehold improvement allowances and other incentives on certain lease agreements. We recognize operating lease costs on a straight-line basis over the term of the agreement taking into account adjustments for market provisions, such as free or escalating base monthly rental payments, or deferred payment terms, such as rent holidays, that defer the commencement date of required payments. We record rent expense associated with operating lease obligations in general and administrative expenses in the consolidated statements of operations.

Warrants

Warrants or similar instruments to acquire shares of redeemable convertible preferred stock are classified as liabilities. We issued warrants for the purchase of Series B preferred stock in conjunction with the issuance of our Series B-2 preferred stock in November 2010 and May 2011. The proceeds from the sale were allocated to the preferred stock warrants based on their fair value and the residual was allocated to preferred stock. We recorded the fair value of the preferred stock warrants as a liability with an offsetting charge to additional paid-in capital. We re-measured the fair value of the preferred stock warrants at each applicable reporting period and recorded any change in fair value in the consolidated statement of operations in non-operating expense. All of the preferred stock warrants were exercised in August 2011.

We issued a detachable common stock warrant in connection with a subordinated promissory note issued in November 2010. Applicable accounting guidance requires that proceeds from the issuance of a debt instrument with detachable stock purchase warrants (detachable call options) are allocated to the warrants based on fair

value, with the residual allocated to the debt. Since the number of shares issuable upon exercise of the warrant was not fixed at the time of issuance, we recorded the fair value of the warrant of $1.5 million as a derivative liability. We also recorded the debt at its full face amount with a contra component, a debt discount, of $1.5 million, which was being accreted to zero over the life of the underlying debt. The accretion was accounted for as non-cash interest expense using the effective interest rate. We re-measured the fair value of the warrant liability at each reporting period and recorded any change in fair value to earnings. During the year ended December 31, 2011, we recorded a $2.1 million charge to earnings for the change in fair value of the common stock warrant. In October 2011, the number of shares issuable upon exercise of the warrant became fixed and the carrying value of the common stock warrant liability of $3.6 million was reclassified to additional paid-in capital. The common stock warrant was exercised in March 2013.

Revenue Recognition

We recognize revenue when persuasive evidence of an arrangement exists, services have been rendered, the fee to the paid retailer is fixed or determinable and collectability of the resulting receivable is reasonably assured. For commission revenues, which represent the significant majority of our net revenues, revenue recognition generally occurs when a consumer, having visited one of our websites and clicked on a digital coupon for a paid retailer, defined as a retailer with which we have a contract, makes a purchase with such paid retailer, and completion of the order is reported to us by such paid retailer, either directly or through a performance marketing network. The reporting by the paid retailer includes the amount of commissions the paid retailer has calculated as owing to us. Certain paid retailers do not provide reporting until a commission payment is made. In those cases, which have historically not been significant, we record commission revenues on a cash basis. We estimate and record a reserve, based upon actual, historical return rates as reported to us by the paid retailers, to provide for end-user cancelations or product returns, which may not be reported by the paid retailer or performance marketing network until a subsequent date. As such, we report commission revenues net of the estimated returns reserve. Net revenues are reported net of sales taxes, where applicable. The following table summarizes our revenue returns reserve (in thousands):

	Beginning Balance	Provision for Returns	Returns	Ending Balance
Revenue returns reserve:				
Year ended December 31, 2011	$ —	$ 3,433	$ (2,763)	$ 670
Year ended December 31, 2012	670	6,337	(5,780)	1,227
Year ended December 31, 2013	1,227	10,113	(8,175)	3,165

Our arrangements with paid retailers are both direct and through performance marketing networks, which act as intermediaries between the paid retailers and us. No paid retailers individually accounted for more than 10% of net revenues or accounts receivable for any of the years ended December 31, 2013, 2012 and 2011.

Cost of Revenue

Cost of revenue is composed of direct and indirect costs incurred to generate revenue. These costs consist of personnel costs of our salaried merchandising and technology support employees and fees paid to third-party contractors engaged in the operation and maintenance of our existing websites and mobile applications. Such technology costs also include website hosting and Internet service costs. Other costs include allocated facility and general information technology costs.

Sales and Marketing Expenses

Our sales and marketing expenses consist of personnel costs for our sales, marketing, search engine optimization, search engine marketing and business intelligence employees, as well as online, brand and other marketing expenses. Our online, brand and other marketing costs include search engine fees, advertising on

social networks, television advertising, display advertisements, creative development fees, public relations, email campaigns, trade shows and other general marketing costs. Other costs include allocated facility and general information technology costs.

Advertising Expenses

We expense all advertising costs as incurred. Advertising expenses included in sales and marketing expense were $22.2 million, $13.2 million and $1.7 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Product Development

Our product development expense consists primarily of personnel costs of our product management and software engineering teams, as well as fees paid to third-party contractors and consultants engaged in the design, development, testing and improvement of the functionality and user experience of our websites and mobile applications. We expense all internal product and development costs as we do not track and separately identify costs with identifiable development activities from costs of maintenance and related activities.

General and Administrative Expenses

Our general and administrative expenses represent personnel costs for employees involved in general corporate functions, including finance, accounting, legal and human resources, among others. Additional costs included in general and administrative expenses include professional fees for legal, audit and other consulting services, travel and entertainment, charitable contributions, recruiting, allocated facility and general information technology costs and other general corporate overhead expenses.

Stock-Based Compensation Expense

Stock-based compensation expense is measured at the grant date based on the estimated fair value of the award, net of estimated forfeitures. We recognize these compensation costs on a straight-line basis over the requisite service period of the award. Forfeiture rates are estimated at grant date based on historical experience and adjusted in subsequent periods for differences in actual forfeitures from those estimates. We include stock-based compensation expense in cost of net revenues and operating expenses in our consolidated statements of operations, consistent with the respective employees' cash compensation. We determine the fair value of stock options on the grant date using the Black-Scholes-Merton valuation model.

Fair Value of Financial Instruments

The carrying amounts of our financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and notes payable, approximate fair value due to the instruments' short-term maturities or, in the case of the long-term notes payable, based on the variable interest rate feature. We record warrant liabilities and derivative liabilities at fair value.

Income Taxes

The provision for income taxes is determined using the asset and liability method. Deferred tax assets and liabilities are calculated based upon the temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using the enacted tax rates that are applicable in a given year. The deferred tax assets are recorded net of a valuation allowance when, based on the available supporting evidence, we believe it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods.

We utilize a two-step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes. We include interest and penalties related to uncertain tax positions in the provision for income taxes on our consolidated statements of operations. See Note 12, "Income Taxes."

Foreign Currency

Our operations outside of the U.S. generally use the local currency as their functional currency. Assets and liabilities for these operations are translated at exchange rates in effect at the balance sheet date. Income and expense accounts are translated at average exchange rates for the period. Foreign currency translation adjustments are recorded in accumulated other comprehensive income (loss). Gains and losses from foreign currency denominated transactions, which were a $0.7 million gain, net, in 2013 and not significant in 2012 and 2011, are recorded in other income (expense), net in our consolidated statements of operations.

Recent Accounting Pronouncements

In February 2013, the FASB issued new guidance that amends the presentation of items reclassified from accumulated other comprehensive income to net income. The guidance requires that information regarding such reclassifications is presented by component and reported in one place within the financial statements. We adopted these provisions on January 1, 2013, which only affect how we present information about reclassifications from accumulated other comprehensive income to net income. The adoption of these provisions had no impact on our financial position, results of operations or cash flows.

3. Acquisitions

The following table summarizes our acquisitions during the years ended December 31, 2013 and 2012, with amounts shown below at fair value at each respective acquisition date (dollars in thousands):

Year acquired	YSL Ventures, Inc. 2013	Ma-Reduc.com 2013	Actiepagina.nl 2013	Miwim (Bons-de-Reduction.com and Poulpeo.com) 2012
Cash acquired	$ 206	$ 530	$ 64	$ 558
Other tangible assets acquired	73	1,376	2	1,697
Identifiable intangible assets				
Customer relationships	—	296	192	475
Marketing-related	—	6,231	896	4,035
Contract-based	1,772	263	187	142
Technology-based	1,480	564	207	811
Goodwill	8,796	14,530	1,597	8,727
Total assets acquired	12,327	23,790	3,145	16,445
Total liabilities assumed	(763)	(3,002)	—	(3,197)
Total	$ 11,564	$ 20,788	$ 3,145	$ 13,248

Tangible assets, which include cash and cash equivalents and accounts receivable, were valued at their respective carrying amounts, which we believe approximate their fair values at the respective acquisition dates. The liabilities assumed in connection with these acquisitions, which were recorded at their fair value at the

acquisition dates, include accrued liabilities, accounts payable and deferred tax liabilities. For all acquisitions, goodwill represents the excess of the purchase price over the aggregate fair value of the net identifiable assets acquired. In connection with our acquisitions we incurred approximately $1.4 million, $0.6 million and $1.4 million in direct acquisition costs in the years ended December 31, 2013, 2012 and 2011, respectively, all of which were expensed as incurred and are included in general and administrative expenses on the consolidated statements of operations.

Goodwill resulted primarily from acquiring a business in a market characterized by high profitability, numerous participants, with none having a dominant market position and specialized processes and procedures, none of which qualify as a separate intangible asset.

The valuation of identifiable intangible assets acquired reflects our estimates based on, among other factors, use of established valuation methods. The value of customer relationships was determined using the income approach. The value of marketing-related intangible assets was determined using the relief from royalty method. Contract-based intangible assets have been valued based on an income-based approach, specifically the with/without method. The value of acquired technology was determined based on a cost-to-recreate methodology. Identifiable intangible assets with definite lives are amortized over the period of estimated benefit using the straight-line or accelerated method and the estimated useful lives of one to fifteen years. The method of amortization applied represents our best estimate of the distribution of the economic value of the identifiable intangible assets.

The acquired marketing-related intangible assets consist primarily of trade names, domain names and well-developed traffic acquisition strategies. These trade and domain names play a pivotal role in generating visits and consumer leads for retailers. In addition, the traffic acquisition methodologies such as search engine optimization processes and techniques, email subscriber lists and campaign processes and other direct marketing capabilities also contribute significantly to generating consumer leads and visits. Our intent is to use the brand and domain names for the foreseeable future and to build upon the established traffic-acquisition methodologies. Accordingly, we utilized a fifteen year useful life to both determine the value of these assets and the selection of a useful life.

The acquired customer-related intangible assets consist solely of contracts with retailers. The businesses we acquired typically had relationships with a substantial portion of the major online retailers that offered digital coupons through affiliate marketing relationships. The customer relationships were valued predominantly using an income approach (multi-period excess earnings method.) Based on the attrition factors applied, the expected useful life of customer relationships from this income approach is fifteen years. Although the contracts we enter into with retailers are cancelable upon short or no notice and without penalty, we determined the useful life of these relationships to be longer-term in nature based upon consideration of several factors. These factors included the fact that couponing has been used in-store by retailers for an extended period; the growth in revenues of the acquired businesses which indicated growing use of coupons by retailers and consumers; the higher level of retailer relationship management that we provide as compared to the periods prior to acquisition; and historically low attrition rates. Based on these factors, we determined that the useful life of these relationships would extend to the foreseeable future and, accordingly, utilized a period of fifteen years both to value and amortize these assets.

YSL Ventures, Inc.

On October 9, 2013, we acquired 100% of the outstanding capital stock of YSL Ventures, Inc., a private company that operated under the name Zendeals, for $11.6 million of initial cash consideration. The initial cash consideration is subject to adjustment based on the finalization of the amount of YSL Ventures, Inc.'s working capital as of October 9, 2013. Due to the timing of the acquisition, we have not yet finalized our allocation of the purchase price to the fair value of assets acquired and liabilities assumed.

In conjunction with the acquisition of YSL Ventures, Inc., we entered into deferred compensation arrangements with the former owners of YSL Ventures, Inc., at which time we transferred $6.2 million into an escrow account, to be paid to the owners over a two year period, with $3.1 million to be paid in October 2014, and the remainder paid in equal quarterly installments over the following year, contingent upon the former employees' continued employment with RetailMeNot. We recorded an associated asset for the deferred compensation arrangement, which is included in other noncurrent assets in the amount of $5.4 million as of December 31, 2013. This asset is being amortized ratably to other operating expense over the two-year term of the required employment period. During the year ended December 31, 2013, we recognized $0.8 million of compensation expense related to these agreements.

The goodwill resulting from the acquisition of YSL Ventures, Inc. is not deductible for tax purposes.

Ma-Reduc.com

On July 1, 2013, our wholly owned subsidiary, RetailMeNot, France, acquired 100% of the outstanding capital stock of ABCYNE, a private company and the operator of Ma-Reduc.com, a digital coupon website in France. The total purchase price of $20.8 million was comprised of: (i) $15.0 million initial cash consideration, (ii) notes payable issued by RetailMeNot, France, with an aggregate principal amount of $4.9 million to the shareholders, bearing interest at a rate of 3.0% per annum and due in 2014 and (iii) additional cash consideration for working capital of $0.9 million.

The goodwill resulting from the acquisition of Ma-Reduc.com is not deductible for tax purposes.

Actiepagina.nl

On March 1, 2013, we acquired certain assets and liabilities of Actiepagina B.V. associated with Actiepagina.nl, its website based in the Netherlands. The total purchase price of $3.1 million was comprised of: (i) $2.0 million cash consideration and (ii) a $1.1 million note payable issued to the seller, due in 2014.

The resulting goodwill from the acquisition of Actiepagina.nl is not deductible for tax purposes.

Bons-de-Reduction.com and Poulpeo.com

On May 10, 2012, we acquired 100% of the outstanding capital stock of Miwim, a private company and the operator of Bons-de-Reduction.com and Poulpeo.com, two websites in France. The total purchase price of $13.2 million was comprised of: (i) $10.1 million initial cash consideration, (ii) 182,425 shares of our Series B-5 preferred stock with an aggregate value of $3.0 million, based on a per share fair value of approximately $16.45 per share and (iii) additional cash consideration for working capital of $0.1 million.

In conjunction with the acquisition of Bons-de-Reduction.com and Poulpeo.com, we entered into deferred compensation arrangements with the former owners, at which time we issued promissory notes to such individuals with a principal amount totaling $3.5 million bearing interest at 5.0% annually. Principal is being repaid in equal annual installments of $1.75 million over a two-year period along with accompanying accrued interest, contingent on the continued employment of the former owners. We recorded an associated asset for the deferred compensation arrangement, which is included in other noncurrent assets in the amount of $0.6 million and $2.4 million as of December 31, 2013 and 2012, respectively. This asset is being amortized ratably to other operating expense over the two-year term of the required employment period. During the years ended December 31, 2013 and 2012, we recognized $1.7 million and $1.1 million, respectively, of compensation expense related to these agreements.

The resulting goodwill from the Bons-de-Reduction.com and Poulpeo.com acquisition is not deductible for tax purposes.

4. Goodwill and Other Intangible Assets

Changes in our goodwill balance for the years ended December 31, 2013 and 2012 are summarized in the table below (in thousands).

Balance at December 31, 2011	$ 142,917
Acquired in business combinations	8,727
Foreign currency translation adjustment	1,111
Balance at December 31, 2012	152,755
Acquired in business combinations	24,923
Foreign currency translation adjustment	1,981
Balance at December 31, 2013	$ 179,659

Intangible assets consisted of the following as of December 31, 2013 and 2012 (in thousands):

	Weighted-average amortization period	Estimated Useful Life (Months)	December 31, 2013			
			Gross	Accumulated Amortization	Impairment	Net
Customer relationships	180	180	$ 16,244	$ (3,368)	$ —	$12,876
Marketing-related	165	48-180	75,182	(17,035)	—	58,147
Contract-based	58	12-60	19,875	(11,528)	—	8,347
Technology-based	12	12	7,937	(6,494)	—	1,443
Total intangible assets			$119,238	$ (38,425)	$ —	$80,813

	Estimated Useful Life (Months)	December 31, 2012			
		Gross	Accumulated Amortization	Impairment	Net
Customer relationships	180	$ 18,654	$ (2,827)	$ (2,498)	$13,329
Marketing-related	48-180	68,142	(12,049)	(2,058)	54,035
Contract-based	33-60	18,529	(8,260)	(368)	9,901
Technology-based	12	5,767	(5,047)	—	720
Total intangible assets		$111,092	$ (28,183)	$ (4,924)	$77,985

In 2012, we determined that we would no longer support three of our websites, Coupon7.com, Couponshare.com and CheapStingyBargains.com. We have migrated all traffic from these websites to RetailMeNot.com and Deals2buy.com, and do not expect these sites to provide additional income. As a result of this impairment indicator, we determined that a complete impairment of the remaining unamortized intangible assets related to these websites was warranted, resulting in an impairment charge of $4.9 million, which is included in other operating expenses. We did not record any intangible asset impairment charges during the years ended December 31, 2013 and 2011.

As of December 31, 2013 and 2012, the weighted-average amortization period for definite-lived intangible assets was 11.6 and 10.4 years, respectively. Estimated amortization of intangible assets for the five years subsequent to December 31, 2013 and thereafter is as follows (in thousands):

2014	$ 12,046
2015	9,606
2016	6,636
2017	6,600
2018	6,377
Thereafter	39,548
	$ 80,813

5. Property and Equipment, Net

Property and equipment consisted of the following as of December 31, 2013 and 2012 (in thousands):

	Estimated Useful Life (Years)	2013	2012
Computer hardware	3	$ 1,886	$ 1,158
Purchased software	3	1,222	954
Office equipment	3	430	233
Office furniture and fixtures	5	2,885	1,578
Leasehold improvements	5	7,361	2,415
		13,784	6,338
Less: Accumulated amortization and depreciation		(3,467)	(1,417)
Net property and equipment		$10,317	$ 4,921

Depreciation and amortization expense related to property and equipment was $2.0 million, $1.0 million and $0.3 million for the years ended December 31, 2013, 2012 and 2011, respectively. We recorded no impairment of property and equipment and recorded no significant gains or losses on the disposal of property and equipment during the years ended December 31, 2013, 2012 and 2011, respectively.

6. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following as of December 31, 2013 and 2012 (in thousands):

	2013	2012
Marketing and professional services	$2,214	$1,369
Taxes other than income taxes	1,302	998
Interest payable	751	990
Other	1,319	1,437
	$5,586	$4,794

7. Long Term Debt

Long term debt consisted of the following as of December 31, 2013 and 2012 (in thousands):

	2013	2012
Senior secured note due 2018—interest rate of 2.9% at December 31, 2013	$ 33,250	$ —
Senior revolving credit facility due 2018	—	—
Senior secured note due 2015—interest rate of 5.9% at December 31, 2012	—	29,425
Unsecured seller note due 2013—interest rate of 5.0% at December 31, 2012	—	6,000
Unsecured seller note due 2014—interest rate of 3.0% at December 31, 2013	5,163	—
Unsecured promissory notes due 2014—interest rate of 5.0% at December 31, 2013 and 2012	1,750	3,500
Unsecured seller note due 2014—interest rate of 4.0% at December 31, 2013	1,150	—
	41,313	38,925
Less current maturities	(15,063)	(16,650)
Total long-term debt	$ 26,250	$ 22,275

Senior Debt

On July 1, 2013, we entered into an amended and restated revolving credit and term loan agreement with certain lenders, including an entity related to a stockholder of the Company, or Senior Debt. The Senior Debt consists of a $115.0 million revolving credit facility and a $35.0 million term loan facility. The term loan facility was used, in part, to fully repay the $25.0 million of borrowings outstanding as of June 30, 2013 under our prior senior debt facility. The obligations were paid in full effective upon closing of the Senior Debt. There are no amounts currently outstanding under the revolving credit facility. On December 31, 2013, we had $95.2 million available for borrowings under the revolving credit facility.

We pay quarterly revolving credit facility fees of 50 basis points per annum. At our option, borrowings under both the term loan facility and the revolving credit facility bear interest at either the base rate or a eurodollar-based rate (each as more fully described in the amended and restated revolving credit and term loan agreement) plus an applicable margin as determined based on the funded debt to EBITDA ratio (as more fully described in the amended and restated revolving credit and term loan agreement). These rates are summarized in the following table:

Basis for Pricing	Level I	Level II
Consolidated Funded Debt/EBITDA	<1.00:1.00	≥1.00:1.00
Revolving Credit Eurodollar Margin (LIBOR)	200 basis points	250 basis points
Revolving Credit Base Rate Margin	100 basis points	150 basis points
Term Loan Eurodollar Margin (LIBOR)	262.5 basis points	312.5 basis points
Term Loan Base Rate Margin	162.5 basis points	212.5 basis points

Interest is payable quarterly in arrears for base rate borrowings and on the last day of the applicable eurodollar-interest period for any eurodollar-based borrowings. Principal payments on the term loan facility of $1.75 million are due on the first day of each quarter beginning October 1, 2013, with any remaining balance due in July 2018. Borrowings under the revolving credit facility are automatically converted to five-year term loans at any time such outstanding amounts are greater than or equal to $25.0 million and carry the same maturity date as the initial $35.0 million term loan. Total borrowings under the revolving credit facility may not exceed a borrowing availability limit based on a multiple of EBITDA for the trailing twelve months (as more fully described in the amended and restated revolving credit and term loan agreement). Mandatory prepayments include net cash proceeds from certain asset sales, 100% of the net cash proceeds of any subordinated debt and 50% of the net cash proceeds of certain equity transactions, excluding the cash proceeds from our December 16, 2013 follow-on offering, and any equity interests issued under certain stock option or employee incentive plans.

The Senior Debt has priority in repayment to all other outstanding debt. We have granted our lenders a security interest in substantially all of our assets, including intellectual property, pursuant to a security agreement and an intellectual property security agreement, except that the security interest shall apply only after the funded debt to EBITDA ratio is greater than or equal to 1:00 to 1:00. We are subject to complying with certain financial covenants, including minimum trailing twelve month EBITDA levels, funded debt to EBITDA ratio and a fixed charge coverage ratio (each as more fully described in the amended and restated revolving credit and term loan agreement). The amended and restated revolving credit and term loan agreement contains customary affirmative and negative covenants and prohibits, among other things and subject to certain exceptions, the incurrence of additional debt, payment of other debt obligations, incurrence of liens, acquisitions of businesses or capital expenditures in excess of stated amounts, sales of businesses or assets, payment of dividends, making loans or advances and certain other restrictions. The amended and restated revolving credit and term loan agreement also contains customary events of default including, among others, payment defaults, breaches of covenants, bankruptcy and insolvency events, cross defaults with certain material indebtedness, judgment defaults, change of control and breaches of representations and warranties. We were in compliance with all covenants as of December 31, 2013.

Seller Notes

In July 2013, our wholly owned subsidiary, RetailMeNot, France, issued seller notes payable, or Ma-Reduc Notes, in connection with our acquisition of ABCYNE. The Ma-Reduc Notes have an aggregate principal amount of €3.75 million, translated to $5.2 million on our balance sheet as of December 31, 2013, mature in July 2014 and bear interest at a rate of 3.0% annually. The carrying value of the Ma-Reduc Notes is included in in short-term notes payable as of December 31, 2013.

In March 2013, we issued seller notes payable, Actiepagina Notes, in connection with our acquisition of Actiepagina B.V. The Actiepagina Notes have an aggregate principal amount of $1.2 million, mature in September 2014 and bear interest at a rate of 4.0% annually. The carrying value of the Actiepagina Notes is included in in short-term notes payable as of December 31, 2013.

Other Notes

In conjunction with our acquisition of Miwim (Bons-de-Reduction.com and Poulpeo.com), we entered into deferred compensation arrangements with the former owners of Miwim, at which time we issued promissory notes, or the Miwim Notes, with an aggregate principal amount $3.5 million bearing interest at 5.0% annually. We paid $1.75 million of the principal, along with accompanying interest, during 2013, and the remaining $1.75 million matures in May 2014. The carrying value of the Miwim Notes is included in in short-term notes payable as of December 31, 2013.

Future maturities of debt as of December 31, 2013 are as follows (in thousands):

Year Ended December 31,	
2014	15,063
2015	7,000
2016	7,000
2017	7,000
2018	5,250
	$ 41,313

Debt Issuance Costs

Amortization of deferred financing costs was $0.4 million, $0.6 million and $1.2 million during the years ended December 31, 2013, 2012 and 2011, respectively. In addition, during the year ended December 31, 2013, we recognized a $0.6 million write-off of the remaining unamortized deferred financing costs of our prior senior debt facility following the amendment of such senior debt facility in July 2013.

8. Commitments and Contingencies

Operating Leases

We lease office space, including our corporate headquarters in Austin, Texas under non-cancelable operating leases. Rent expense under these operating leases was $3.2 million, $1.4 million and $0.3 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Certain of these lease arrangements have renewal or expansion options and adjustments for market provisions, such as free or escalating base monthly rental payments. Amounts reported in the table below are reported net of rent concessions. We recognize rent expense under such lease arrangements on a straight-line basis over the initial term of the lease. The difference between the straight-line expense and the cash paid for rent has been recorded as deferred rent.

We are responsible for paying our proportionate share of the actual operating expenses and real estate taxes under certain of these lease agreements. These operating expenses are not included in the table below. Future minimum lease payments under non-cancelable operating leases (including rent escalation clauses) with terms in excess of one year as of December 31, 2013 are as follows (in thousands):

Year Ended December 31,	
2014	$ 2,800
2015	3,272
2016	3,340
2017	3,466
2018	3,552
Thereafter	8,611
	$ 25,041

Contractual Obligations

As of December 31, 2013, we had purchase obligations of approximately $0.9 million that primarily relate to contracts for non-cancellable services. The obligations are primarily due and payable in 2014.

Legal Matters

From time to time, we may be involved in litigation relating to claims arising in the ordinary course of business. Management believes that there are no claims or actions pending or threatened against the Company, the ultimate disposition of which would have a material impact on our consolidated financial position, results of operations or cash flows.

Employment Agreements

We have entered into employment and change of control arrangements with certain of our executive officers and with certain employees in Europe.

Indemnification

In the normal course of business, to facilitate transactions related to our operations, we indemnify certain parties, including lessors, service providers and, from time to time, retailers and performance marketing networks with respect to certain matters. We have agreed to hold certain parties harmless against losses arising from a breach of representations or covenants, or other claims, including intellectual property infringement claims made against those certain parties by third parties. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. In addition, we have entered into indemnification agreements with our officers and directors, and our bylaws contain similar indemnification obligations.

9. Redeemable Convertible Preferred Stock, Stockholders' Equity (Deficit) and Stock-Based Compensation

Reverse Stock Split

On June 5, 2013, our Board of Directors approved, and on June 12, 2013 we affected, a four-for-one reverse stock split of our common and preferred stock. All share and per share information for all periods presented has been adjusted to reflect the effect of such reverse stock split. On July 24, 2013, we amended our certificate of incorporation to adjust the amount of our authorized shares to: 150,000,000 shares of Series 1 common stock, 6,107,494 shares of Series 2 common stock, and 10,000,000 shares of preferred stock. The common and preferred stock have a par value of $0.001 per share.

Initial Public Offering

On July 24, 2013, we completed our initial public offering of 10,454,544 shares of Series 1 common stock, at a price of $21.00 per share, before underwriting discounts and commissions. We sold 4,545,454 of such shares and existing stockholders sold an aggregate of 5,909,090 of such shares, including 1,363,636 shares sold by selling stockholders as a result of the underwriters' exercise of their over-allotment option to purchase additional shares. Our initial public offering generated net proceeds to us of approximately $85.4 million, after deducting underwriting discounts and commissions. Expenses incurred by us for our initial public offering were approximately $3.4 million and were recorded against the net proceeds received by us from our initial public offering. We did not receive any proceeds from the sale of shares by the selling stockholders in our initial public offering.

Follow-on Offering

On December 16, 2013, we completed our follow-on offering of 7,207,207 shares of Series 1 common stock, at a price of $26.00 per share before underwriting discounts and commissions. We sold 2,000,000 of such shares and existing stockholders sold an aggregate of 5,207,207 of such shares, including 940,070 shares sold by selling stockholders as a result of the underwriters' exercise of their option to purchase additional shares. The offering generated net proceeds to us of $49.1 million, after deducting underwriting discounts and commissions. Expenses incurred by us for the follow-on offering were approximately $0.6 million and were recorded against the proceeds received from the follow-on offering. We did not receive any proceeds from the sale of shares by the selling stockholders in the follow-on offering.

Redeemable Convertible Preferred Stock

Prior to our initial public offering, we had outstanding 6,993,977 shares of Series B-1 preferred stock, 26,846,339 shares of Series B-2 preferred stock, 3,053,747 shares of Series B-3 preferred stock, 6,107,494 shares of Series BB-3 preferred stock, 996,479 shares of Series B-4 preferred stock and 182,425 shares of Series B-5 preferred stock. The outstanding shares of redeemable convertible preferred stock converted on a one-to-one basis into shares of common stock concurrent with the closing of our initial public offering. All of the outstanding shares of our Series B-1, Series B-2, Series B-3, Series B-4 and Series B-5 preferred stock automatically converted into an aggregate of 38,072,967 shares of Series 1 common stock and all of the outstanding shares of our Series BB-3 preferred stock automatically converted into an aggregate of 6,107,494 shares of Series 2 common stock. Following the closing of our initial public offering, there were no shares of preferred stock outstanding.

Common Stock

As of December 31, 2013 and 2012, we had contractual rights to repurchase zero and 100,260 shares of common stock (in addition to exercised unvested shares under our 2007 Stock Plan) respectively, upon the holder's termination from the Company with cause or the holder's attempt to transfer said shares, other than as permitted under the repurchase agreement. Our repurchase right with respect to such shares will lapse in a series of 32 equal monthly installments, subject to the holder's completion of each additional complete month of service to the Company. As of December 31, 2013 and 2012, we had contractual rights to repurchase 31,921 and 29,900 shares, respectively, of exercised unvested shares under our 2007 Stock Plan. As of December 31, 2013 and 2012, we had repurchased 4,948 and 4,375 shares of exercised unvested shares, respectively. As of both December 31, 2013 and 2012, we had a liability of $0.1 million associated with exercised unvested shares.

Each share of common stock is entitled to one vote at all meetings of stockholders, except each share of Series 2 common stock is not entitled to vote in connection with the election of the members of our Board of Directors. The number of authorized shares of common stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of shares of capital stock of the Company representing a majority of the votes represented by all outstanding shares of capital stock of the

Company entitled to vote. The holders of common stock are also entitled to receive dividends, when, if and as declared by our Board of Directors, whenever funds are legally available therefore, subject to the priority rights of any outstanding preferred stock. Each share of Series 2 common stock is convertible, at the option of the holder, into one fully paid and nonassessable share of Series 1 common stock.

On August 7, 2013 we registered 10,262,195 shares of our Series 1 common stock that we have issued or may issue under our 2007 Stock Plan, 2013 Equity Incentive Plan or 2013 Employee Stock Purchase Plan.

Common Stock Warrant

In connection with our November 2010 issuance of subordinated debt, which was repaid in full during 2011, we issued a Common Stock Warrant, exercisable for 457,796 shares of Series 1 common stock at an exercise price of $0.004 per share. The Common Stock Warrant was exercised in March 2013.

Stock-Based Compensation

In July 2013, our board of directors and stockholders approved our 2013 Equity Incentive Plan (the “2013 Plan”) and our 2013 Employee Stock Purchase Plan (the “2013 Purchase Plan”). When the 2013 Plan took effect, all shares available for grant under our 2007 Stock Plan, as amended, (the “2007 Plan”) were transferred into the share pool of the 2013 Plan. Subsequent to our initial public offering, we have not granted, and will not grant in the future, any additional awards under the 2007 Plan. However, the 2007 Plan will continue to govern the terms and conditions of all outstanding equity awards granted under the 2007 Plan.

2013 Equity Incentive Plan

Under our 2013 Plan, the following awards types may be granted: stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares and units and other cash-based or stock-based awards. To date we have granted non-statutory stock options and restricted stock units. Restricted stock units represent rights to receive shares of our Series 1 common stock (or their value in cash) at a future date without payment of a purchase price. Holders of restricted stock units have no voting rights or rights to receive cash dividends unless and until shares of Series 1 common stock are issued in settlement of such awards. The compensation committee of our Board of Directors, or a committee appointed by the compensation committee, determines the term of the option and restricted stock unit, option price, number of shares for which each option and restricted stock unit is granted, whether restrictions will be imposed on the shares subject to the option or restricted stock unit, and the vesting period for each option and restricted stock unit. Awards granted under the 2013 Plan generally vest over four years. The term of each option is no more than ten years from grant date.

2007 Stock Plan

Options granted under the 2007 Plan are either incentive stock options or nonstatutory stock options. Our Board of Directors determined the term of the option, option price, number of shares for which each option was granted, whether restrictions will be imposed on the shares subject to the option, and the vesting period for each option. Generally, options become 25% vested after one year of service, with the remaining 75% vesting on a pro-rata basis over the remaining three years. The term of each option is ten years.

Stock-based compensation expense for all employee share-based payment awards is based upon the grant date fair value. We recognize compensation costs, net of estimated forfeitures, on a straight-line basis over the requisite service period of the award. Forfeiture rates are estimated periodically based on historical experience and adjusted in subsequent periods for differences in actual forfeitures from our previous estimates. We recorded $10.5 million, $4.0 million and $0.5 million of stock-based compensation expense for the years ended December 31, 2013, 2012 and 2011, respectively. We include stock-based compensation expense in cost and expense consistent with the classification of respective employees’ cash compensation in the consolidated statements of operations.

The fair value of common stock options granted during the years ended December 31, 2013, 2012 and 2011 was estimated on the grant date using the Black-Scholes-Merton option pricing model. The weighted-average assumptions for stock options granted are outlined in the following table:

	Year Ended December 31,		
	2013	2012	2011
Expected volatility	60.27%	64.46%	73.00%
Expected term (in years)	6.01	5.97	6.02
Risk-free rate of return	1.34%	0.95%	1.84%
Expected dividend yield	—	—	—

Due to our short history as a public company, our expected volatility is based on the volatility of comparable publicly traded entities. The expected term represents the period of time the stock options are expected to be outstanding and is based on the "simplified method". We used the "simplified method" due to the lack of sufficient historical exercise data to provide a reasonable basis upon which to otherwise estimate the expected life of the stock options. The risk-free interest rate assumptions we use are based on observed market interest rates appropriate for the term of our employee options.

The following tables summarize the stock option activity of our 2007 Plan and 2013 Plan for the years ended December 31, 2013, 2012 and 2011:

Stock Options	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual (Years)	Aggregate Intrinsic Value (in thousands)	Weighted-Average Fair Value (per share)
Outstanding at December 31, 2010	488,286	$ 1.08	9.4	$ 487	$ 0.73
Granted	2,081,920	2.96			1.92
Exercised	(85,294)	2.08			1.36
Forfeited	(9,700)	1.28			0.85
Outstanding at December 31, 2011	2,475,212	$ 2.63	9.4	$ 8,443	$ 1.71
Granted	2,441,553	11.59			6.70
Exercised	(102,599)	2.45			1.61
Forfeited	(141,656)	4.28			2.56
Outstanding at December 31, 2012	4,672,510	$ 7.26	9.0	$ 52,588	$ 4.29
Granted	1,983,785	22.06			12.29
Exercised	(544,852)	3.70			3.54
Forfeited	(416,620)	11.46			7.05
Outstanding at December 31, 2013	5,694,823	$ 12.45	8.4	$ 94,474	$ 8.03
Vested at December 31, 2013 and expected to vest	5,410,082	$ 12.45	8.4	$ 89,750	
Exercisable at December 31, 2013	5,330,833	$ 12.52	8.5	$ 88,185	

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value that would have been received by the option holders had all option holders exercised their options on December 31, 2013, 2012 and 2011, respectively. The aggregate intrinsic value is determined by the fair value of our common stock and the per-share grant price.

The following table summarizes the restricted stock unit activity of the 2013 Plan for the year ended December 31, 2013:

Restricted Stock Units	Number of Shares	Weighted-Average Purchase Price	Weighted-Average Remaining Vesting Term (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2012	—	$ —	—	$ —
Granted	54,579	—		
Issued	(500)	—		
Cancelled or Expired	—	—		
Outstanding at December 31, 2013	54,079	$ —	3.7	$ 1,557
Outstanding at December 31, 2013 and expected to vest	54,079	$ —	3.7	$ 1,557

The weighted average fair value at the date of grant for restricted stock units was $31.88 for the year ended December 31, 2013.

The following table summarizes additional stock option and restricted stock unit values (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Intrinsic value of stock options exercised	$ 10,663	$ 788	$ 276
Intrinsic value of restricted stock units that vested	17	—	—
Grant date fair value of stock options exercised	1,929	165	116
Grant date fair value of restricted stock units that vested	17	—	—

As of December 31, 2013, $32.3 million of total unrecognized compensation cost related to stock options and restricted stock units is expected to be recognized over a weighted-average period of 3.1 years. As of December 31, 2013, 4,078,916 shares of our Series 1 common stock were available for grant under the 2013 Plan.

As of December 31, 2013, we had reserved shares of common stock for future issuance as follows (in thousands):

2007 Stock Incentive Plan	5,695
2013 Stock Incentive Plan	4,644
2013 Employee Stock Purchase Plan	561
	10,900

10. Earnings (Loss) Per Share

Basic and diluted net income (loss) per common share is presented in conformity with the two-class method required for participating securities. Prior to our initial public offering, holders of Series B-1, Series B-2, Series B-3, Series BB-3, Series B-4 and Series B-5 preferred stock were each entitled to receive cumulative dividends at the annual rate of $0.31, $0.37, $1.31, $1.31, $0.29 and $0.66 per share per annum, respectively, payable prior and in preference to any dividends on any shares of our common stock. In the event a dividend was paid on common stock, the holders of preferred stock were entitled to a proportionate share of any such dividend as if they were holders of common stock (on an as-if converted basis). Accordingly, all of our outstanding series of preferred stock were considered to be participating securities. The holders of our preferred stock did not have a contractual obligation to share in our losses; therefore, no amount of total undistributed loss is allocated to preferred stock.

The rights of the holders of Series 1 and Series 2 common stock are identical, except with respect to voting. Each share of Series 1 and Series 2 common stock is entitled to one vote per share; however holders of Series 2 common stock are not entitled to vote in connection with the election of the members of our Board of Directors. Shares of Series 2 common stock may be converted into shares of Series 1 common stock at any time at the option of the stockholder.

Under the two-class method, basic net income (loss) per share attributable to common stockholders is computed by dividing the net income (loss) attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Net income (loss) attributable to common stockholders is determined by allocating undistributed earnings, calculated as net income less current period preferred stock dividends, between common stock and preferred stock. In computing diluted net income (loss) attributable to common stockholders, undistributed earnings are re-allocated to reflect the potential impact of dilutive securities. Diluted net income per share attributable to common stockholders is computed by dividing the net income attributable to common stockholders by the weighted-average number of shares of common stock outstanding, including potential dilutive shares of common stock assuming the dilutive effect of outstanding stock options and warrants using the treasury stock method or if-converted method, whichever is more dilutive.

On July 5, 2013, in exchange for agreeing to vote in favor of the conversion of preferred stock to common stock in connection with our initial public offering, we agreed to pay Institutional Venture Partners XIII, L.P. and entities affiliated with J.P. Morgan $2,046,001 and $4,092,002, respectively, upon delivery by us of a written request to such entities to vote to effect such conversion. We delivered such request and such payments were made on July 11, 2013. These payments had no impact on net income as the amounts are recognized within equity; however, these amounts are reflected as deemed dividends on preferred stock and, as such, impact net income (loss) attributable to common stockholders and basic and diluted net income (loss) per share attributable to common stockholders.

The following table sets forth the computation of basic and diluted earnings (loss) per share of common stock (in thousands, except per share amounts):

	Year Ended December 31,		
	2013	2012	2011
Net income	$ 31,530	$ 25,993	$ 16,961
Preferred stock dividends on participating preferred stock	(19,928)	(24,577)	(64,715)
Total undistributed earnings (loss)	11,602	1,416	(47,754)
Undistributed earnings (loss) allocated to participating preferred stock	(5,998)	(1,390)	—
Net income (loss) attributable to common stockholders	$ 5,604	$ 26	$(47,754)
Weighted average common shares outstanding:			
Basic	23,074	841	744
Diluted	25,742	2,277	744
Net loss per share attributable to common stockholders:			
Basic	$ 0.24	$ 0.03	$ (64.19)
Diluted	$ 0.23	$ 0.03	$ (64.19)

The following common equivalent shares were excluded from the diluted net loss per share calculation as their inclusion would have been anti-dilutive (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Stock options	112	—	1,353
Common stock warrants	—	—	2,592
Convertible preferred stock	—	—	36,459
Total	112	—	40,404

11. Fair Value Measurements

Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. Generally accepted accounting principles set forth a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The three tiers are Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop our own assumptions.

Assets and liabilities measured at fair value on a recurring basis are summarized below (in thousands):

	Fair Value Measurements at December 31, 2013			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market deposit account	$ 872	$ —	$ —	$ 872
Liabilities:				
Interest rate swap agreement	$ —	$ 12	$ —	$ 12

	Fair Value Measurements at December 31, 2012			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market deposit account	$ 871	$ —	$ —	$ 871
Liabilities:				
Interest rate swap agreement	$ —	$ 85	$ —	$ 85

Money market funds are reported on our consolidated balance sheets as cash and cash equivalents, and interest rate swap agreements are reported on our consolidated balance sheets as accrued expenses and other current liabilities as of December 31, 2013 and as other noncurrent liabilities as of December 31, 2012. Fair value of our interest rate swap derivative has been determined using the present value of expected cash flows based on market observable interest rate yield curves commensurate with the term of the instrument. Our other financial instruments consist primarily of accounts receivable, accounts payable, accrued liabilities and notes payable. The carrying value of these assets and liabilities approximate their respective fair values as of December 31, 2013 and 2012 due to the short-term maturities, or in the case of our long-term notes payable, based on the variable interest rate feature. As of December 31, 2013, 2012 and 2011 no significant fair value adjustments were required for nonfinancial assets and liabilities.

12. Income Taxes

The components of pretax income for the years ended December 31, 2013, 2012 and 2011 were as follows (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Domestic	$42,189	$38,595	$26,623
Foreign	8,232	3,758	1,840
Total	$50,421	$42,353	$28,463

The components of the provision for income taxes attributable to continuing operations are as follows (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Current:			
Federal	$16,627	$14,773	$ 8,848
State	1,187	836	507
Foreign	3,905	2,547	943
Total current	21,719	18,156	10,298
Deferred:			
Federal	(1,161)	(550)	1,604
State	65	—	55
Foreign	(1,732)	(1,246)	(455)
Total deferred	(2,828)	(1,796)	1,204
Total provision for income taxes	$18,891	$16,360	$11,502

Our provision for income taxes attributable to continuing operations differs from the expected tax expense amount computed by applying the statutory federal income tax rate of 35% to income before income taxes as a result of the following (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Tax at U.S. statutory rate	$17,647	$14,824	$ 9,962
State tax provision, net of federal benefit	999	543	330
Stock-based compensation	1,701	1,031	142
Foreign tax rate differential	(1,038)	(421)	(156)
Research and development credit	(649)	—	—
Permanent differences and other	231	383	1,224
Income tax provision	$18,891	$16,360	$11,502

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of deferred taxes are as follows (in thousands):

	December 31,	
	2013	2012
Deferred tax assets:		
Reserves and allowances	$ 1,461	$ 309
Tax carryforwards	772	—
Accrued expenses	1,033	21
Stock-based compensation	1,910	327
Deferred rent	756	336
Other	820	—
Total deferred tax assets	6,752	993
Deferred tax liabilities:		
Property and equipment	(1,842)	(1,022)
Intangibles	(10,534)	(6,272)
Other	(920)	—
Total deferred tax liabilities	(13,296)	(7,294)
Net deferred tax liability	$ (6,544)	$(6,301)

In May 2012, we acquired 100% of the outstanding stock of Miwim. See Note 3, "Acquisitions". A net deferred tax liability of approximately $1.8 million was recorded upon the acquisition, primarily related to acquired intangibles.

In July 2013, our wholly owned subsidiary, RetailMeNot, France, acquired 100% of the outstanding capital stock of Ma-Reduc.com. See Note 3, "Acquisitions". A net deferred tax liability of approximately $2.5 million was recorded primarily related to acquired intangibles.

In October 2013, we acquired 100% of the outstanding stock of YSL Ventures, Inc. See Note 3, "Acquisitions". A net deferred tax liability of approximately $0.3 million was recorded primarily related to acquired intangibles, offset by net operating loss and research and development tax credit carryforwards.

As of December 31, 2013, we had federal net operating loss carryforwards and research and development tax credit carryforwards of $2.1 million and $22,000, respectively. These carryforwards expire between 2031 and 2033 if not utilized. As of December 31, 2013 and 2012, no provision has been made for U.S. income taxes and foreign withholding taxes related to undistributed earnings of our foreign subsidiaries, as those earnings are considered to be permanently reinvested outside the United States. As of December 31, 2013 and 2012, the unrecognized deferred tax liability related to undistributed earnings of our foreign subsidiaries was $3.5 million and $1.2 million, respectively.

The exercise of certain of our stock options results in taxable compensation, which is includable in the taxable income of the exercising option holder and which we can deduct from our taxable income for federal and state income tax purposes. Such compensation results from increases in the fair value of our common stock subsequent to the date of grant of the exercised stock options. Option-related excess tax benefits (tax deduction over cumulative book deduction) are recorded as an increase to additional paid-in capital, while option-related tax deficiencies (cumulative book deduction over tax deduction) are recorded as a decrease to additional paid-in capital to the extent of our additional paid-in capital option pool, then to the income tax provision. During the year ended December 31, 2013, we recorded an increase to additional paid-in capital of $2.0 million, offset by a reduction in current taxes payable. During the year ended December 31, 2012, there were no option-related tax deductions.

We follow the guidance on accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2012, we did not have any significant unrecognized tax benefits recorded on our consolidated balance sheets. The aggregate changes in the balance of unrecognized tax benefits for the year ended December 31, 2013 were as follows, excluding interest and penalties (in thousands):

Balance at December 31, 2012	$ —
Increases for tax positions related to the current year	282
Increases for tax positions related to prior years	948
Balance at December 31, 2013	$1,230

If the Company were to recognize the unrecognized tax benefits, the total amount would impact the effective tax rate.

Our practice is to recognize interest and penalties related to unrecognized tax benefits as a component of income tax expense. In 2013 and 2012, we recognized interest and penalties of $0.3 million and $0.0 million, respectively, within income tax expense on our consolidated statements of operations. Amounts for interest and penalties accrued are included within the related tax liability line in the consolidated balances sheets and were $0.3 million and $0.0 million for the years ended December 31, 2013 and 2012, respectively.

We file U.S., state and foreign income tax returns in jurisdictions with varying statutes of limitations. As of December 31, 2013, we are not under examination in any jurisdiction. As of December 31, 2013, our federal returns for the years 2010 through 2012 are subject to examination by the Internal Revenue Service. Tax years 2007 through 2009 remain open to adjustment due to net operating losses carried forward into open tax years. Additionally, various state and foreign income tax returns are subject to examinations for years 2009 through 2012 and 2010 through 2012, respectively.

13. Domestic and Foreign Operations

The Company has operations in the U.S. and Europe. Information about these operations is presented below (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Net Revenues:			
U.S.	$ 166,532	$ 119,986	$ 72,616
United Kingdom	31,296	21,357	7,786
Other International	12,008	3,342	—
Total Net Revenues	$ 209,836	$ 144,685	$ 80,402

	As of December 31,	
	2013	2012
Identifiable long-lived assets:		
U.S.	$ 186,554	$ 183,633
United Kingdom	45,290	40,076
Other International	38,945	11,952
Total identifiable long-lived assets	$ 270,789	$ 235,661

Net revenues attributed to the U.S. and international geographies are based upon the country in which the selling subsidiary of the Company is located.

Identifiable long-lived assets attributed to the U.S. and international geographies are based upon the country in which the asset is located or owned.

14. Employee Benefit Plans

401(k) Plan

We have established a tax-qualified employee savings and retirement plan for all employees in the U.S. who satisfy certain eligibility requirements, including requirements relating to age and length of service. Under our 401(k) plan, employees may elect to reduce their current compensation by up to the statutory limit, $17,500 in 2013 and 2012, and have us contribute the amount of this reduction to the 401(k) plan. During 2012, we began matching up to 58% of employee contributions, but not exceeding $8,750 per employee. Our contributions for the years ended December 31, 2013 and 2012 were $0.9 million and $0.4 million, respectively.

15. Selected Quarterly Financial Data (unaudited)

	For the Three Months Ended:							
	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
	(in thousands, except per share amounts)							
Net revenues	$ 29,647	$ 30,088	$ 34,160	$ 50,790	$ 40,561	$ 43,401	$ 47,350	$ 78,524
Gross margin	27,940	27,818	31,662	48,152	37,973	40,529	44,075	74,210
Net income	6,233	5,441	6,574	7,745	6,975	5,123	5,593	13,839
Net income (loss) attributable to common stockholders	2	(667)	8	31	20	(999)	(2,159)	13,839
Net income (loss) per share attributable to common stockholders:								
Basic	$ 0.00	$ (0.81)	$ 0.01	$ 0.03	$ 0.02	$ (0.68)	$ (0.06)	$ 0.27
Diluted	$ 0.00	$ (0.81)	$ 0.01	$ 0.03	$ 0.02	$ (0.68)	$ (0.06)	$ 0.26
Weighted-average number of shares used in computing net income (loss) per share:								
Basic	767	824	871	899	1,000	1,466	38,235	50,879
Diluted	2,228	824	2,657	2,928	2,965	1,466	38,235	53,368

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
2.1	Asset Purchase Agreement for the purchase of RetailMeNot.com, dated November 24, 2010.	DRS	377-00145	2.1	April 5, 2013
2.2	Agreement Relating to the Sale and Purchase of the Entire Issued Share Capital of eConversions Limited, dated August 15, 2011.	DRS	377-00145	2.2	April 5, 2013
3.1.1	Fifth Amended and Restated Certificate of Incorporation dated May 9, 2012.	DRS	377-00145	3.1.1	April 5, 2013
3.1.2	Certificate of Amendment to Fifth Amended and Restated Certificate of Incorporation, dated September 12, 2012.	DRS	377-00145	3.1.2	April 5, 2013
3.1.3	Second Certificate of Amendment to Fifth Amended and Restated Certificate of Incorporation, dated March 8, 2013.	DRS	377-00145	3.1.3	April 5, 2013
3.1.4	Third Certificate of Amendment to Fifth Amended and Restated Certificate of Incorporation, dated April 4, 2013.	DRS	377-00145	3.1.4	April 5, 2013
3.1.5	Fourth Certificate of Amendment to Fifth Amended and Restated Certificate of Incorporation, dated June 12, 2013.	S-1	333-189397	3.1.5	June 17, 2013
3.2	Form of Sixth Amended and Restated Certificate of Incorporation of the Registrant.	S-1/A	333-189397	3.2	July 8, 2013
3.3	Bylaws of the Registrant.	S-1/A	333-189397	3.4	July 8, 2013
4.1.1	Third Amended and Restated Investors' Rights Agreement dated October 28, 2011.	DRS	377-00145	4.1.1	April 5, 2013
4.1.2	Amendment to Third Amended and Restated Investors' Rights Agreement dated May 10, 2012.	DRS	377-00145	4.1.2	April 5, 2013
4.1.3	Second Amendment to Third Amended and Restated Investors' Rights Agreement and Waiver of Registration Rights dated December 6, 2013.	S-1/A	333-192632	4.1.3	December 9, 2013
4.2.1	Third Amended and Restated Right of First Refusal and Co-Sale Agreement dated October 28, 2011.	DRS	377-00145	4.2.1	April 5, 2013
4.2.2	Amendment to Third Amended and Restated Right of First Refusal and Co-Sale Agreement dated May 10, 2012.	DRS	377-00145	4.2.2	April 5, 2013
4.3.1	Third Amended and Restated Voting Agreement dated October 28, 2011.	DRS	377-00145	4.3.1	April 5, 2013
4.3.2	Amendment to Third Amended and Restated Voting Agreement dated May 10, 2012.	DRS	377-00145	4.3.2	April 5, 2013
4.3.3	Voting Agreement dated July 5, 2013.	S-1/A	333-189397	4.3.3	July 8, 2013

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.1	Form of Indemnification Agreement for directors and officers.	DRS/A	377-00145	10.1	May 13, 2013
10.2.1†	2007 Stock Plan and forms of agreement thereunder.	DRS/A	377-00145	10.2.1	May 13, 2013
10.2.2†	First Amendment to the 2007 Stock Plan.	DRS	377-00145	10.2.2	April 5, 2013
10.2.3†	Second Amendment to the 2007 Stock Plan.	DRS	377-00145	10.2.3	April 5, 2013
10.2.4†	Third Amendment to the 2007 Stock Plan.	DRS	377-00145	10.2.4	April 5, 2013
10.2.5†	Fourth Amendment to the 2007 Stock Plan.	DRS	377-00145	10.2.5	April 5, 2013
10.2.6†	Fifth Amendment to the 2007 Stock Plan.	DRS	377-00145	10.2.6	April 5, 2013
10.2.7†	Sixth Amendment to the 2007 Stock Plan.	DRS	377-00145	10.2.7	April 5, 2013
10.3†	Form of the Registrant's 2012 Bonus Plan for Officers dated May 22, 2012.	DRS	377-00145	10.3	April 5, 2013
10.4.1	Term Loan Agreement by and among Comerica Bank, as administrative agent for the lenders named therein, and the Registrant *et al*, dated November 24, 2010.	DRS	377-00145	10.4.1	April 5, 2013
10.4.2	First Amendment to Term Loan Agreement.	DRS	377-00145	10.4.2	April 5, 2013
10.4.3	Second Amendment to Term Loan Agreement.	DRS	377-00145	10.4.3	April 5, 2013
10.4.4	Third Amendment to Term Loan Agreement.	DRS	377-00145	10.4.4	April 5, 2013
10.4.5	Fourth Amendment to Term Loan Agreement.	DRS	377-00145	10.4.5	April 5, 2013
10.4.6	Fifth Amendment to Term Loan Agreement.	DRS	377-00145	10.4.6	April 5, 2013
10.4.7	Sixth Amendment to Term Loan Agreement.	DRS	377-00145	10.4.7	April 5, 2013
10.4.8	Amended and Restated Revolving Credit and Term Loan Agreement by and among Comerica Bank, as administrative agent for the lenders named therein, and the Registrant *et al*, dated July 1, 2013.	S-1/A	333-189397	10.4.8	July 18, 2013
10.4.8.1	First Amendment to Amended and Restated Revolving Credit and Term Loan Agreement, dated December 11, 2013.	S-1/A	333-192632	10.4.8.1	December 11, 2013
10.4.9	Security Agreement by and among Comerica Bank, as administrative agent for the lenders named therein, the Registrant, Spectrawide Acquisition Co., LLC, CSB Acquisition Co., LLC, CLTD Acquisition Co., LLC, Smallponds, LLC, Deals.com, LLC, RNOT, LLC and WSM CV, LLC, dated July 1, 2013.	S-1/A	333-189397	10.4.9	July 18, 2013

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date
10.5	Intellectual Property Security Agreement by and among the Registrant, Comerica Bank, Spectrawide Acquisition Co., LLC, Spectrawide Inc., CSB Acquisition Co., LLC, CLTD Acquisition Co., LLC, Smallponds, LLC, Deals.com, LLC and RMN Acquisition Co., LLC, dated November 24, 2010.	DRS	377-00145	10.5	April 5, 2013
10.5.1	Intellectual Property Security Agreement by and among Comerica Bank, as administrative agent for the lenders named therein, the Registrant, Spectrawide Acquisition Co., LLC, CSB Acquisition Co., LLC, CLTD Acquisition Co., LLC, Smallponds, LLC, Deals.com, LLC, RNOT, LLC and WSM CV, LLC, dated July 1, 2013.	S-1/A	333-189397	10.5.1	July 18, 2013
10.6.1	Lease Agreement by and between the Registrant and NOP 301 Congress LP, dated May 24, 2011.	DRS	377-00145	10.6.1	April 5, 2013
10.6.2	Amendment No. 1 to Lease Agreement by and between the Registrant and NOP 301 Congress LP, dated November 14, 2011.	DRS	377-00145	10.6.2	April 5, 2013
10.6.3	Amendment No. 2 to Lease Agreement by and between the Registrant and NOP 301 Congress LP, dated November 9, 2012.	DRS	377-00145	10.6.3	April 5, 2013
10.6.4	Amendment No. 3 to Lease Agreement by and between the Registrant and NOP 301 Congress LP, dated January 21, 2013.	S-1/A	333-189397	10.6.4	July 16, 2013
10.7.1	Counterpart Lease Agreement by and among Northburgh House Limited, eConversions Limited and RetailMeNot UK Ltd., dated June 24, 2011.	DRS	377-00145	10.7.1	April 5, 2013
10.7.2	Termination of Lease Agreement by and among Northburgh House Limited, eConversions Limited and RetailMeNot UK Ltd., dated February 1, 2013, and effective as of August 10, 2013.	DRS	377-00145	10.7.2	April 5, 2013
10.8.1	Underlease, dated 1/10/07, amongst Billingford Investments Limited, Braiseworth Investments Limited and Carlton Communications Limited, dated January 10, 2007.	DRS	377-00145	10.8.1	April 5, 2013
10.8.2	Agreement for the Assignment of the Underlease, between Carlton Communications Limited and the Registrant, dated March 11, 2013.	DRS	377-00145	10.8.2	April 5, 2013
10.9.1	Lease Agreement by and between MIWIMMO, Société Civile Immobilière (a real estate company) and MIWIM, Société à Responsabilité Limitée (a limited liability company), dated September 23, 2009.	DRS	377-00145	10.9.1	April 5, 2013

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.9.2	Amendment to Lease by and between MIWIMMO, Société Civile Immobilière (a real estate company) and MIWIM, Société à Responsabilité Limitée (a limited liability company), dated December 31, 2010.	DRS	377-00145	10.9.2	April 5, 2013
10.10†	Employment Agreement between the Registrant and G. Cotter Cunningham, dated effective as of March 1, 2013.	DRS	377-00145	10.10	April 5, 2013
10.11†	Employment Agreement between the Registrant and Kelli A. Beougher, dated effective as of March 1, 2013.	DRS	377-00145	10.11	April 5, 2013
10.12†	Employment Agreement between the Registrant and Douglas C. Jeffries, dated effective as of March 1, 2013.	DRS	377-00145	10.12	April 5, 2013
10.13†	Employment Agreement between the Registrant and Paul M. Rogers, dated effective as of March 1, 2013.	DRS	377-00145	10.13	April 5, 2013
10.14†	Employment Agreement between the Registrant and Louis J. Agnese, III, dated effective as of March 1, 2013.	DRS	377-00145	10.14	April 5, 2013
10.14.1†	Amendment to Employment Agreement between the Registrant and Louis J. Agnese, III dated effective as of October 15, 2013.	S-1	333-192632	10.14.1	December 2, 2013
10.14.2	Second Amendment to Employment Agreement between the Registrant and Louis J. Agnese, III dated effective as of February 13, 2014.				
10.15†	Employment Agreement between the Registrant and Jagjit S. Bath, dated effective as of March 1, 2013.	DRS	377-00145	10.15	April 5, 2013
10.16†	Employment Agreement between the Registrant and Jillian L. Balis, dated effective as of March 1, 2013.	DRS	377-00145	10.16	April 5, 2013
10.17	Commission Junction Publisher Service Agreement dated November 16, 2010, as assigned to RNOT, LLC pursuant to the Assignment and Assumption Amendment dated November 24, 2010.	DRS	377-00145	10.17	April 5, 2013
10.18	LinkShare Corporation Publisher Membership Agreement, as assigned to the Registrant and RNOT, LLC pursuant to the Consent to Assignment of Agreement dated November 24, 2010.	DRS	377-00145	10.18	April 5, 2013
10.19†	2013 Equity Incentive Plan.	S-1/A	333-189397	10.20	July 8, 2013
10.20†	2013 Employee Stock Purchase Plan.	S-1/A	333-189397	10.21	July 8, 2013
10.21†	Board Offer Letter between the Registrant and Brian H. Sharples, dated as of July 11, 2011.	DRS/A	377-00145	10.22	May 13, 2013
10.22†	Board Offer Letter between the Registrant and Greg J. Santora, dated as of April 24, 2013.	DRS/A	377-00145	10.23	May 13, 2013

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date
10.23†	Employment Agreement between the Registrant and Steven T. Pho, dated effective as of March 1, 2013.	S-1	333-192632	10.24	December 2, 2013
10.23.1†	Amendment to Employment Agreement between the Registrant and Steven T. Pho, dated effective as of October 15, 2013.	S-1	333-192632	10.24.1	December 2, 2013
10.23.2	Second Amendment to Employment Agreement between Registrant and Steven T. Pho, dated effective as of February 13, 2014.				
10.24†	Board Offer Letter between the Registrant and Gokul Rajaram, dated as of September 13, 2013.				
10.25†	RetailMeNot, Inc. 2013 Bonus Plan (Director Level & Up).				
14.1	Code of Business Conduct and Ethics.				
21.1	List of Subsidiaries of the Registrant.	S-1/A	333-192632	21.1	December 9, 2013
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.				
24.1	Power of Attorney (see page 75 to this Annual Report on Form 10-K).				
31.1	Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of The Sarbanes-Oxley Act of 2002.				
31.2	Certification of Principal Financial Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of The Sarbanes-Oxley Act of 2002.				
32.1	Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350 as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.				
32.2	Certification of Principal Financial Officer Required under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350 as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.				
101.INS*	XBRL Instance Document.				
101.SCH*	XBRL Taxonomy Extension Schema.				
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase.				
101.LAB*	XBRL Taxonomy Extension Label Linkbase.				

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase.				
101.DEF*	XBRL Taxonomy Extension Definition Linkbase.				

* XBRL(Extensible Business Reporting Language) information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934, and is not subject to liability under those sections, is not part of any registration statement or prospectus to which it relates and is not incorporated or deemed to be incorporated by reference into any registration statement, prospectus or other document.

† Management contract, compensatory plan or arrangement.

EXHIBIT C

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2014

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-36005

RETAILMENOT, INC.

(Exact name of registrant as specified in its charter)

Delaware	**26-0159761**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

301 Congress Avenue, Suite 700
Austin, Texas 78701
(512) 777-2970

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Series 1 common stock, par value $0.001 per share	**The NASDAQ Global Select Market LLC**

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

Based on the closing price of the registrant's common stock on the last business day of the registrant's most recently completed second fiscal quarter, which was June 30, 2014, the aggregate market value of its common stock held by non-affiliates on that date was $1,028,921,579.

As of January 31, 2015, 54,297,510 shares of the registrant's Series 1 Common Stock were outstanding.

Documents incorporated by reference:

The information required by Part III of this Report, to the extent not set forth herein, is incorporated herein by reference from the Proxy Statement relating to our 2015 annual meeting of shareholders, which shall be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Report relates.

TABLE OF CONTENTS

PART 1

Forward Looking Statements

Except for the historical financial information contained herein, the matters discussed in this report on Form 10-K (as well as documents incorporated herein by reference) may be considered "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements include declarations regarding the intent, belief or current expectations of RetailMeNot, Inc. and its management and may be signified by the words "anticipate," "believe," "could," "estimate," "expect," "intend," "plan," "potential," "predict," "project," "seek," "should," "target," "will," "would" or similar language (or the negative of these terms). You are cautioned that any such forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties. Actual results could differ materially from those indicated by such forward-looking statements. Factors that could cause or contribute to such differences include those discussed under Part 1, Item 1A: "Risk Factors" and elsewhere in this report. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 1. Business.

Company Overview

We operate the world's largest marketplace for digital offers, connecting consumers with leading retailers and brands to increase consumer engagement and drive sales. In the year ended December 31, 2014, our marketplace featured digital offers from over 70,000 retailers and brands, with more than 697 million total visits to our desktop and mobile websites. During the three months ended December 31, 2014, we averaged more than 21 million monthly mobile unique visitors. As of December 31, 2014, we had contracts with more than 10,000 retailers, or paid retailers. We own and operate the largest digital offer marketplaces in the U.S. (RetailMeNot.com) and the U.K. (VoucherCodes.co.uk) and the largest portfolio of digital offer websites in France (Bons-de-Reduction.com, Poulpeo.com and Ma-Reduc.com).

We are the leading digital offer destination for consumers. In 2014, our marketplace featured more than 600,000 digital offers in each month. Digital offers are offers, offer codes and brand or category specific discounts made available online or through mobile applications that are used by consumers to make online or in-store purchases directly from retailers, excluding grocery retailers. Our websites, mobile applications, email newsletters and alerts and social media presence enable consumers to search for, discover and redeem hundreds of thousands of relevant digital offers from retailers and brands. Our marketplace features digital offers across multiple product categories, including clothing; electronics; health and beauty; home and office; travel, food and entertainment; personal and business services; and shoes. We believe our investments in digital offer content quality, product innovation and direct retailer relationships allow us to offer a compelling experience to consumers looking to save money, whether online or in-store.

We believe we are a trusted partner to retailers and brands. We provide our retailers and brands access to a large and engaged consumer audience. We help retailers and brands drive sales and acquire new customers online and in-store through our websites and mobile applications. In addition, our pay-for-performance model enables us to have a mutually beneficial relationship with our paid retailers, as they pay a commission to us only after a sale is made.

We believe our marketplace benefits from network effects. As more consumers use our marketplace, we are better able to obtain high quality digital offers from retailers and brands, which in turn attracts a larger consumer audience. We seek to reinforce our position as the leading digital offer destination by continuing to increase consumer traffic and growing the breadth and depth of our digital offers, as well as our retailer and brand relationships.

Our Industry

The retail industry is large, and e-commerce and mobile commerce are growing rapidly. The Internet and mobile devices have become an integral part of the consumers' shopping experience and is increasingly influencing the consumers' purchasing decision process online and in-store. The rise of mobile-optimized websites and applications has enabled consumers to use digital offers for purchases through their mobile devices or for in-store redemption at checkout. We believe that the adoption of location-based technologies will further contribute to this growth. Retailers and brands are recognizing the need to expand their online and mobile advertising initiatives. We believe many retailers are re-allocating their budgets to the channels in which consumers are spending more of their time before making purchase decisions.

Retailers are focused on the return on investment, or ROI, of their marketing spend and are adopting solutions, like digital offers, that allow them to measure and optimize the impact of their promotional campaigns. We believe that the direct response nature of digital offers, which allow for better consumer segmentation, targeting, tracking of redemptions and automated attribution to specific promotional campaign spend better facilitates retailers' ability to measure ROI compared to more traditional advertising channels.

In addition, the speed and adaptability of digital offers allows retailers to reach consumers whenever and wherever they are shopping. Further, retailers are able to post digital offers quickly, edit and iterate on-the-go and modify the scale of campaigns dynamically based on consumer interest and marketing budgets. This compares favorably to traditional print couponing, which requires longer lead times and is a more manual and expensive process due to the additional overhead associated with printing and distributing physical offers.

Industry Challenges

Within this large addressable market, consumers and retailers face various challenges that represent barriers to increased retail commerce activity, online and in-store.

Challenges for Consumers

- ***Difficult to find relevant digital offers.*** Digital offers are most valuable to consumers when they relate to products and brands that consumers want. Consumers face a fragmented landscape as digital offers are available in many different formats across a large number of distribution channels. Traditional offers are available in newspapers, magazines and direct mail, while digital offers are available on the websites of retailers and brands, digital offer websites, in emails or embedded as advertising. Many digital offer websites and other distribution channels lack the breadth and depth to offer a relevant digital offer when a consumer wants it. In addition, few digital offer websites have the retail relationships and resources to build a comprehensive offering of digital offers for consumers. Consumers often have to resort to visiting multiple websites to check if a relevant digital offer from their preferred retailer is available.
- ***Unreliable digital offers.*** Many digital offer websites provide unreliable digital offers that may be declined by retailers, causing consumer frustration and disappointment. These websites lack the infrastructure and technology to review and validate digital offers that appear on their website, resulting in digital offers that can expire without notice or are invalid.
- ***Inconvenience associated with traditional offers.*** Traditional offers distributed via fragmented offline media such as newspapers and circulars are hard to discover, search and organize, and carry expiration dates that are difficult to track. They are often not easily available on-demand when a consumer is shopping and can rarely be redeemed across multiple channels, such as online and in-store.

Challenges for Retailers

- ***Difficulty reaching consumers at scale.*** The increasing amount of digital content and the proliferation of mobile devices creates significant audience fragmentation. This fragmentation makes it difficult for retailers and brands to reach their target audience at scale and at a time when their purchase behavior can be influenced.
- ***Difficulty engaging consumers across channels.*** With the shift in consumer engagement towards online, mobile and social channels, retailers need an integrated multichannel solution to optimize their promotional efforts to increase traffic, both online and in-store, and drive sales. Creating consistent and integrated consumer engagement across their online, mobile and offline retail presence can represent a challenge for many retailers. Additionally, if consumers have a poor experience with an offer it may negatively impact consumers' image of the retailer.
- ***Ineffective and difficult to measure marketing solutions.*** Retailers are looking to maximize the returns on their promotional campaigns. Many traditional marketing options do not allow retailers to effectively measure the ROI of their marketing spend or collect behavioral consumer data to optimize their campaigns. Therefore, retailers seek a solution that can provide pay-for-performance and transparency into the effectiveness of their promotional campaigns.

Our Solution

We operate the world's largest digital offer marketplace, connecting consumers with leading retailers and brands. Consumers are able to visit a trusted destination that allows them to search for, discover and redeem digital offers from leading retailers, online or in-store. We aggregate digital offers from retailers, performance marketing networks, our large user community, our employees and outsourced providers. Retailers are able to drive sales and acquire new customers by effectively attracting and engaging a large audience of consumers who are shopping across multiple channels. Our solution enables retailers to better manage their customer acquisition spend and effectively measure their marketing ROI.

Solutions for Consumers

We believe our content and high quality user experience continues to attract a large and engaged audience of consumers to our marketplace. Key elements of our solution for consumers include:

- ***Save money with a broad selection of offers*:** Our breadth and depth of digital offer inventory enables consumers to save money on their everyday purchases. We aggregate digital offers available from retailers, performance marketing networks and our large user community. In 2014, more than two-thirds of the digital offers featured in our marketplace were submitted by users or sourced internally by us. The remainder of the digital offers featured in our marketplace were provided through performance marketing networks. In 2014, we featured more than 600,000 digital offers in each month from retailers and brands across multiple product categories including clothing; electronics; health and beauty; home and office; travel, food and entertainment; personal and business services; and shoes.
- ***Anytime, anywhere availability, online and in-store:*** Consumers can search for and discover our digital offers at virtually any time via our websites, mobile applications, email newsletters and alerts or social media presence, whether on their desktop devices, mobile phone or tablet. Our mobile applications provide access to the select online and in-store digital offers found in our marketplace, allowing consumers to search and discover the digital offers they need and use them to shop whenever and wherever they want. Consumers can also share our digital offers socially via Facebook, Google+, Twitter, Pinterest, email or text message, or save or print them for later use. In addition, by utilizing location-based technology, our mobile applications notify our consumers of savings opportunities when they are shopping near major shopping malls and centers in the U.S. and the U.K. by sending alerts for digital offers that can be used in these locations.

- ***Depth of offer selection from leading retailers within each category:*** In 2014, our marketplace featured digital offers from over 70,000 retailers and brands and thousands of digital offers per category. Our strong relationships with leading retailers also allow us to offer digital offers exclusive to our marketplace.
- ***Reliability and curation of digital offer content:*** We use a combination of technology and people to validate and curate our digital offer content. We use proprietary algorithms to change the display of our digital offer content and technology to validate select digital offer content within our marketplace. Our merchandising team actively monitors our most frequently visited digital offer content in our marketplace to ensure content quality and curates such digital offer content by updating and changing the display and description of digital offers. Additionally, we leverage feedback from our large user community and our proprietary algorithms to measure performance and relevancy of our digital offers. These efforts are designed to ensure that the best quality digital offers rise to the top of our pages, while lower quality or expired digital offers are displayed lower on our pages and are eventually filtered out of our content when appropriate. Our merchandising team monitors the comments submitted by consumers for additional feedback on digital offers, such as whether or not the description of the digital offer contains an error, and updates our digital offer content accordingly. Our focus on digital offer quality and curation is intended to provide a high-quality experience for consumers.
- ***Relevance and personalization:*** By having a selection of digital offers from thousands of large and small retailers, we can present more comprehensive and relevant content for our large and engaged user community. Consumers can sign up for email alerts for digital offers from their favorite retailers and brands or submit their brand "likes" and otherwise engage with us on Facebook. We then maintain and use this information to keep our users informed via email or Facebook whenever a digital offer from their preferred retailer becomes available through our marketplace. In 2014, we developed a new homepage for RetailMeNot.com that includes personalized content recommendations based on a user's favorite stores or browsing history. We also added personalization functionality to the RetailMeNot mobile application that provides a *Just for You* feature designed to inform the consumer of the top digital offers available at their favorite stores, an *Our Best* feature that provides the user community with the best curated new digital offers of the day, and a *Popular* feature that displays digital offers that are trending within the RetailMeNot user community.

Solutions for Retailers

We believe we are a trusted partner to retailers and brands. We provide our retailers and brands access to a large and engaged consumer audience during their shopping experience. Key elements of our solution for retailers include:

- ***Access to large consumer audience:*** We provide retailers access to the largest marketplace dedicated to digital offers, offering a large and engaged audience of consumers with intent to purchase. The scale of our platform increases our ability to drive conversion by rapidly disseminating and promoting digital offers to an engaged consumer audience at scale.
- ***Multichannel engagement with consumers:*** Our websites and mobile applications offer retailers access to consumers who are shopping online and in-store. In 2014, we had more than 697 million visits to our websites and during the three month period ending December 31, 2014, averaged more than 21 million monthly mobile unique visitors. We also had more than 35.1 million email subscribers. Our in-store solutions help retailers drive more in-store traffic and sales by increasing consumer awareness of discounts and promotions available to them. Other outlets, such as our social media channels, including our Facebook Page and Twitter feeds, provide two-way engagement with consumers.
- ***Trusted partnerships and strategic dialogues:*** We maintain ongoing strategic dialogues and develop long-term relationships with our paid retailers. Our retailer and brands solutions team works closely

with the marketing teams of our paid retailers to optimize the performance of their digital offers. We proactively work with our paid retailers to curate their digital offers to drive sales and build consumer trust. We believe our marketplace provides a consistent, high-quality user experience, which reflects positively on the image of our paid retailers.

- ***Measurable ROI and pay-for-performance:*** We believe retailers focus on channels with clearly quantifiable return on investment and pay-for-performance transactional models. Our paid retailers pay a commission to us only after a consumer has made a purchase. Retailers are also able to track the performance of their digital offers in order to monitor and control key aspects of their campaign. Our quantifiable, pay-for-performance model allows retailers to effectively measure ROI while acquiring new customers, increasing sales and driving brand loyalty.

Our Competitive Strengths

We operate the world's largest digital offer marketplace, connecting consumers with leading retailers and brands. Our competitive strengths include:

- ***Global leader with strong scale and brands:*** We believe our strong brand recognition has allowed our marketplace to become a leading destination for consumers looking to save money on retail purchases. As a result, over 90% of traffic to our websites was generated from unpaid sources in 2014. In addition to RetailMeNot.com, our international brand portfolio includes VoucherCodes.co.uk in the U.K., Bons-de-Reduction.com, Poulpeo.com and Ma-Reduc.com in France, Actiepagina.nl in the Netherlands, Deals.com in Germany and RetailMeNot.ca in Canada.
- ***Trusted partner to leading retailers:*** In 2014, we maintained relationships with more than 10,000 paid retailers. We help retailers drive sales and acquire new customers through our multichannel marketplace. We also help our paid retailers optimize their digital offer campaigns to provide a consistent, high-quality user experience, which we believe reflects positively on the brand image of these retailers. As evidence of our successful partnerships with retailers, we have been able to grow over time the number of exclusive digital offers we offer to consumers. Exclusive digital offers are often more compelling offers, and therefore drive heightened consumer interest and help portray our marketplace as the leading destination for digital offers. Our pay-for-performance model enables us to have a mutually beneficial relationship with our paid retailers, as they pay a commission to us only after a sale is made. This model also allows our paid retailers to effectively measure marketing ROI.
- ***Network effects:*** As more consumers use our websites and mobile applications, we attract more retailers and brands to our platform looking for a large audience to drive sales. As the number of retailers and brands in our marketplace increases, we are able to offer more digital offers to consumers, which in turn attracts a larger consumer audience. As our consumer audience grows, retailers and brands are more willing to enter into paid relationships with us and provide us with exclusive digital offers to attract our audience of consumers.
- ***Large community of actively engaged users:*** We foster and support a passionate user community that contributes to our websites by submitting digital offers and helps curate the content on our websites. We leverage our community's passion for savings and their participation in curating the content that we provide to deliver compelling and relevant offer selection to our broad consumer audience. This occurs through community moderation of digital offers with the ability to filter and rank offers on our websites that consumers find the most compelling and relevant. We believe that this engagement by our consumers increases the quality of our content, while lowering our costs to curate and moderate that content ourselves.
- ***Strong technology platform and proprietary data:*** Our technology platform is designed to provide the reliability and security necessary to support a large and growing base of consumers, retailers and brands in our marketplace. As engagement in our marketplace increases, we are able to collect more proprietary data on consumer shopping behavior, which allows us to further develop and improve our

marketplace to better serve consumers and offer more value to retailers and brands. This data is difficult to replicate and enables us to offer retailers and brands insight into their digital offer performance. Additionally, our technology serves as a basis to design and support innovative solutions and to further automate and standardize our processes.

Our Growth Strategy

Our objective is to expand our position as the largest digital offer marketplace, connecting consumers and leading retailers and brands. Our strategies to achieve this goal include:

Grow depth of paid relationships with retailers. We are increasing the resources we dedicate to our retailer and brand solutions team (formerly our sales and partner management teams) in order to deepen our relationships with existing paid retailers and attract new paid retailers worldwide. We believe that this value proposition will help us grow our share of marketing promotional spending among our large retailer base and attract new paid retailers to our marketplace. We also aim to further strengthen our value proposition for retailers by expanding our retailer solutions. For example, we have recently introduced sponsored category listings, more premium placement advertising opportunities, and digital circulars and showcases.

Enhance mobile solutions and in-store enablement. We intend to further develop our mobile optimized websites and invest in our mobile technology for smartphones, including geo-fencing capabilities, in order to increase consumer use and monetization of our solutions from mobile devices. We believe that this technology will allow us to introduce new solutions and grow the number of consumers and retailers using our mobile solutions.

Increase traffic and monetization. To drive increased consumer traffic and net revenues, we intend to continue to invest in marketing to increase brand awareness and our retailer and brand solutions team to obtain more exclusive digital offers, both of which will attract more consumers to our marketplace. We will continue to deploy our digital offer content through targeted and measured email newsletters and alerts, our social media presence, and select premium placement advertising, as well as other offline media efforts to increase the frequency of visits to our properties. Given our scale, we also benefit from our network effects to increase traffic and conversion as more digital offers drive more consumer traffic and retail commerce activity, which in turn attracts more digital offers to our marketplace. We also intend to introduce new methods of monetizing our consumer traffic, particularly the traffic to our mobile websites and applications, through the use of cost-per-click pricing, single use codes or comprehensive, multichannel digital offer solutions packages.

Invest in technology and innovation. Innovation is a key element of our strategy, and we will continue to make significant investments in research and development to further improve our user interface, solution and platform integration, features and functionality, as well as our online and mobile technologies. Our product innovation initiatives are designed to minimize friction in consumers' shopping experience with digital offers from start to finish and provide our retailers and brands with solutions that increase consumer sales. Our key technology investment strategies include: further integrating our online and mobile product offerings; developing personalization tools to further tailor digital offers on our websites and applications to increase user frequency; and leveraging data and analytics to encourage repeat usage of our websites and mobile applications by consumers and help retailers better understand consumer behavior and measure the effectiveness of their marketing spend, across our multichannel marketplace. We also intend to increase the efficiency and scalability of our international operations through standardization of certain components of our technology.

Expand internationally. We have successfully leveraged our established business model to expand into attractive new geographies, including the U.K., France, Germany, the Netherlands and Canada. We intend to further grow our international presence in these markets and continue our geographic expansion efforts in markets with attractive commerce profiles and trends.

Pursue strategic acquisitions. Since 2009, we have completed more than 10 acquisitions. We intend to continue pursuing expansion opportunities in existing and new markets, as well as in core and adjacent categories and complementary technology through strategic acquisitions.

Our Products and Services

We offer products and services to create our marketplace, where consumers save money and retailers generate sales.

Products and Services for Consumers

Our product development approach is centered on building products that enable consumers to discover quality digital offers, virtually anytime and anywhere, and redeem them online or in-store. Our products and services for consumers are free of charge and available through our websites and mobile applications.

Websites. We offer our consumers hundreds of thousands of digital offers from tens of thousands of retailers and brands across multiple product categories. Consumers visiting our websites search for and discover digital offers based on retailer name, product, category, digital offer type, popularity, success rate and other characteristics. Once a consumer discovers a relevant online digital offer, the consumer clicks on that digital offer and is directed to the website of the respective retailer, where the consumer is able to purchase products and redeem the digital offer. In 2014, we developed a new homepage for RetailMeNot.com that includes personalized content recommendations based on a user's favorite stores or browsing history. Consumers can redeem these digital offers in-store by simply scanning the barcode at the retailer's register or by having the sales associate enter the promotional code shown on the consumer's mobile screen into their point-of-sale system.

Mobile Applications. Our mobile applications allow consumers to shop when they want, where they want. Consumers use our mobile applications to discover, store for use later and access the digital offers they want and to redeem them both online and in-store. They can browse top digital offers, popular stores and product category listings. Our mobile applications also allow users to share digital offers with others via email, text message or through social media channels. The RetailMeNot mobile application provides a *Just for You* feature designed to inform the consumer of the top digital offers available at their favorite stores, an *Our Best* feature that provides the user community with the best curated new digital offers of the day, and a *Popular* feature that displays digital offers that are trending within the RetailMeNot user community. In addition, utilizing location-based technology, the RetailMeNot mobile application notifies consumers of savings opportunities when they are shopping near shopping malls and centers by sending consumers alerts for digital offers that can be used in these locations. Once a consumer discovers a relevant online digital offer, the consumer clicks on that digital offer and is directed to the website of the respective retailer, where the consumer is able to purchase products and redeem the digital offer. Consumers can redeem these digital offers in-store by simply scanning the barcode at the retailer's register or by having the sales associate enter the promotional code shown on the consumer's mobile screen into their point-of-sale system.

Email Newsletters and Alerts. Consumers can subscribe to receive our periodic email newsletter and alerts. Our email newsletter allows consumers to stay informed about featured digital offers, while our alerts notify consumers when digital offers from their preferred retailers become available.

- Email newsletters: Our newsletters are sent several times a week and typically include the top digital offers for featured retailers. A portion of these newsletters feature digital offers that are targeted to our consumers based on their past activity on our websites and their affinity for certain retailers or certain types of shopping categories.
- Alerts: Our alerts provide consumers with new digital offers for their favorite retailers, as they become available.

Social Media. Consumers can engage with us on social media channels, such as Facebook, Google+, Pinterest and Twitter, to receive promotional messages from retailers and brands. We maintain an active social media presence by tweeting savings opportunities each day and recommending digital offers to consumers through our Facebook application based on consumers' brand likes. In addition, we engage consumers through social and gamification features in the "Community" section of RetailMeNot.com, including the ability to earn points, track dollars users have helped others save, view rankings, earn badges and win prizes.

Products and Services for Retailers

We provide our retailers with access to a large and engaged consumer audience.

Multichannel Access to Consumers. We provide retailers and brands with access to new customers through multiple channels online on our websites and mobile applications, by email newsletters and alerts and our social media presence, and in-store by displaying a digital offer on a mobile device or presenting a printed offer. We allow retailers to provide consistent digital offers across these multiple channels.

Advertising. We provide our paid retailers with a variety of premium placement advertising opportunities to increase the impact of their digital offer campaigns. Our most common premium placement advertising opportunities include prominent placement within the top digital offer listings of our homepage, the side rail of our category pages, our weekly email newsletter, solo retailer newsletter campaigns and on the landing screen of our mobile website and applications. In 2014, we introduced digital circulars and product showcases, which provide our paid retailers the opportunity to display digital offers with brand imagery through our websites and mobile applications. We typically charge a flat fee for these enhanced advertising tools on a campaign basis for a given period of time. Advertising rates may vary depending upon the distribution channel, seasonality, placement prominence, traffic and the length of time a retailer runs an advertisement through our marketplace.

Our Websites and Brands

We operate a portfolio of digital offer websites that span multiple geographic locations and languages. We acquired the majority of the websites we operate today and have typically maintained the brand name we acquired in each local market given the brand awareness of each website created prior to our acquisition. Each of these websites provides the same core set of solutions: consumers use these websites at no charge to search for and discover digital offers they can redeem online or in-store with leading retailers and brands.

We use the RetailMeNot brand in the U.S., including RetailMeNot.com, our mobile optimized website and the RetailMeNot mobile applications currently available for free for iPhone and Android, and in Canada, through RetailMeNot.ca. We expect to continue to focus our efforts on building the RetailMeNot brand in the U.S. and Canada.

We acquired the business of VoucherCodes.co.uk. in August 2011, which is our brand in the U.K. The VoucherCodes.co.uk. brand includes the VoucherCodes.co.uk. website and mobile applications currently available for free for iPhone and Android. In May 2012, we re-launched our website Deals.com to serve consumers and retailers in German-speaking markets. Also in May 2012, we acquired the businesses of Bons-de-Reduction.com and Poulpeo.com in France. The Bons-de-Reduction.com brand includes the Bons-de-Reduction.com website and mobile application currently available for free for iPhone. As of March 1, 2013, we established operations in the Netherlands through the acquisition of the business of Actiepagina.nl. In June 2013, we launched our website RetailMeNot.ca to serve English-speaking consumers and retailers in Canada. In July 2013, we expanded our presence in France through the acquisition of the business of Ma-Reduc.com. The Ma-Reduc brand includes the Ma-Reduc.com website and mobile application currently available for free for iPhone and Android. As a result of this acquisition, we operate the largest portfolio of digital offer websites in France (Bons-de-Reduction.com, Poulpeo.com and Ma-Reduc.com).

Our primary websites and mobile applications include:

Website	Mobile Applications	Geographic Location Served	Language	Focus
Retailmenot.com	iPhone & Android	U.S.	English	Online and In-Store Offers
VoucherCodes.co.uk	iPhone & Android	U.K.	English	Online and In-Store Offers
Bons-de-Reduction.com	iPhone	France	French	Online and In-Store Offers
Poulpeo.com	iPhone & Android	France	French	Online Offers with Cash Back
Ma-Reduc.com	iPhone & Android	France	French	Online Offers
Actiepagina.nl	None	Netherlands	Dutch	Online Offers
Deals.com	None	Germany	German	Online Offers
RetailMeNot.ca	None	Canada	English	Online Offers

Technology and Infrastructure

Product development and innovation are core pillars of our strategy. Our product team works to regularly deliver innovative products and features in an effort to provide the best possible consumer experience and drive sales for retailers and brands. The responsibilities of our product team span the lifecycle of identifying consumer and retailer needs, defining and designing products, testing, developing go-to-market strategies, and measuring the performance of new products and features. The team is focused on enhancing our core solutions, optimizing the user experience for consumers, and building better business results for our retailers. We provide our online and mobile solutions using a combination of in-house and third-party technology solutions and products.

We have developed proprietary systems architecture for use in creating, maintaining and operating our websites and mobile applications. This technology consists of internal development by our staff of designers and engineers and makes use of software acquired or licensed from outside developers and companies. Our systems are designed to serve consumers and our retailers' operations teams in an automated and scalable fashion. While we use a variety of technologies, the majority of our software systems are written in PHP and Java by engineers employed or contracted by us. Our product development expenses were $47.9 million, $30.6 million and $14.5 million in 2014, 2013 and 2012, respectively. Our software is comprised of four major areas:

- public facing websites and mobile applications;
- content quality management systems;
- data management and reporting; and
- infrastructure tools.

Our websites are hosted in the U.S., U.K., France, Germany, Ireland and the Netherlands using a combination of third-party co-location hosting centers and cloud-based hosting services. Our systems architecture has been designed to manage increases in traffic on our websites and mobile applications through the addition of server and network hardware without making software changes. Our third-party data centers provide our websites, mobile applications and online tools with scalable and redundant Internet connectivity and redundant power and cooling to our hosting environments. We use security methods in an effort to ensure the integrity of our networks and to protect confidential data collected and stored on our servers. For example, we use firewall technology to protect access to our networks and to our servers and databases on which we store confidential data. We have developed and use internal policies and procedures to protect the personal information of our users. We test for unauthorized external access to the network daily using automated services and conduct periodic audits performed by outsourced security consultants.

Competition

The market to attract consumers seeking to save money on purchases online and in-store, and retailers and brands seeking to drive sales and acquire new customers is highly competitive, fragmented and rapidly changing with limited barriers to entry.

Our competition for traffic from consumers seeking to save money on online or in-store purchases includes digital offer websites and mobile applications, cash back and loyalty websites, retailers, search engines, social networks, comparison shopping websites, newspapers and direct mail campaigns. We believe that our primary competition is from other digital offer websites, including dealspl.us, bradsdeals, dealnews, savings.com, Tech Bargains and Coupon Cabin. In addition to such competitors, we are experiencing increasing competition from other businesses that offer digital offers similar to ours as an add-on to their core business. For example, Groupon, Living Social and Coupons.com provide digital offers, Google promotes product-listing advertisements adjacent to its search results and PayPal provides digital offers for in-store purchases. While some of our actual and potential competitors enjoy substantial competitive advantages over us, such as superior name recognition, substantially greater financial, technical and other resources and longer history of competing in relevant geographies, we believe that we compete favorably based on our leadership position in digital offers, our strong brand awareness, our broad selection and quality of digital offers from leading retailers and brands, our trusted partnerships with retailers, our network effects and our large community of actively engaged users.

Retailers and brands have a number of marketing options to choose from when deciding how to reach consumers. Our competition for marketing spend includes digital offer sites that offer a pay-for-performance model, search engines and social networks that compete for online advertising spend and television, magazines and newspapers that compete for offline advertising spend. We believe the principal factors that make us appealing in the competition for retailers' marketing spend include our large and engaged audience of consumers, our multichannel engagement across online, mobile, social and in-store, our trusted marketplace that protects retailers' brands, and our pay-for-performance model that provides retailers and brands measurable ROI, reporting and analytics.

Intellectual Property

Our intellectual property includes the content of our websites, our registered domain names, our registered and unregistered trademarks and our patent applications. We believe that our intellectual property is an important asset of our business and that our RetailMeNot.com, VoucherCodes.co.uk, Bons-de-Reduction.com, Poulpeo.com, Ma-Reduc.com, Actiepagina.nl, Deals.com, RetailMeNot.ca and other domain names and our technology infrastructure give us a competitive advantage in the digital offer market. We rely on a combination of trademark, copyright and trade secret laws in the U.S. and Europe, as well as contractual provisions, to protect our proprietary technology and our brands. We currently have trademarks registered or pending in the U.S., Europe, Australia, Canada, India, South Korea, Singapore and China for our name and certain words and phrases that we use in our business. We also rely on copyright laws to protect software relating to our websites and our proprietary technologies, although we have not registered for copyright protection to date. We have registered numerous Internet domain names related to our business in order to protect our proprietary interests. As of December 31, 2014, we had two patents issued and 59 patent applications, including nine provisional patent applications pending, related to the use and operation of discount websites and related mobile applications as well as the provision and redemption of digital offers. We also enter into confidentiality agreements with our employees and consultants and seek to control access to and distribution of our proprietary information in a commercially prudent manner. In addition, we license third-party technologies that are incorporated into some elements of our solutions.

The efforts we have taken to protect our intellectual property rights may not be sufficient or effective, and, despite these precautions, it may be possible for other parties to copy or otherwise obtain and use the content of our websites without authorization. We may be unable to prevent competitors from acquiring domain names or

trademarks that are similar to, infringe upon or diminish the value of our domain names, trademarks, service marks and our other proprietary rights. Failure to protect our proprietary rights adequately could significantly harm our competitive position and operating results.

Employees

As of December 31, 2014, we had 527 employees. We consider our current relationship with our employees to be good. Other than our French employees, none of our employees is represented by a labor union or is a party to a collective bargaining agreement.

Culture

We believe that a critical component of our success has been our corporate culture, which we believe fosters innovation, encourages teamwork, cultivates creativity and promotes a focus on execution. We have nurtured this culture since our inception and maintained an environment designed to promote openness, honesty, responsibility, mutual respect and the pursuit of common goals. We believe our culture gives us a competitive advantage in recruiting talent in the highly competitive fields that are critical to our success.

Segments

We have one operating and reporting segment consisting of various products and services that are all related to our marketplace for digital offers. For a discussion of revenue, net income and total assets, see Part II, Item 8: "Financial Statements" of this Annual Report on 10-K.

Geographic Information

Financial information about geographic areas is set forth in Note 12 of the Notes to Consolidated Financial Statements under Part II, Item 8: "Financial Statements" of this Annual Report on Form 10-K. For a discussion of the risks attendant to foreign operations, see the information in Part 1, Item 1A: "Risk Factors" under the caption "We are subject to international business uncertainties that could adversely affect our operations and operating results."

Seasonality

Our operating results fluctuate from quarter to quarter as a result of a variety of factors, including seasonal factors and economic cycles that influence consumer purchasing of retail products. Historically, we have experienced the highest number of visits, monthly mobile unique visitors and net revenues in the fourth quarter of the year, which coincides with the winter holiday season in the U.S. and Europe. This seasonality may not be fully evident in our historical business performance because of our significant growth and the timing of our acquisitions. For instance, we have entered new markets through international acquisitions and increased the number of paid retailer and performance marketing network relationships. These changes have contributed to the substantial growth in our net revenues and corresponding increases in our operating costs and expenses to support our growth. Our investments have led to uneven quarterly operating results due to increases in personnel costs, product and technology enhancements and the impact of our acquisitions and other strategic projects. The return on these investments is generally achieved in future periods and, as a result, these investments can adversely impact near term results.

Our business is directly affected by the behavior of consumers. Economic conditions and competitive pressures can impact, both positively and negatively, the types of digital offers featured on our websites and the rates at which they are utilized by consumers. Consequently, the results of any prior quarterly or annual periods should not be relied upon as indications of our future operating performance.

Available Information

Our Internet address is www.retailmenot.com and our investor relations website is located at http://investor.retailmenot.com. We make available free of charge on our investor relations website under the headings "Financials and Filings" and "SEC Filings" our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports as soon as reasonably practicable after such materials are electronically filed with (or furnished to) the SEC. Information contained on our websites is not incorporated by reference into this Annual Report on Form 10-K. In addition, the public may read and copy materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site, www.sec.gov, that includes filings of and information about issuers that file electronically with the SEC.

Item 1A. Risk Factors.

Our business, prospects, financial condition or operating results could be materially adversely affected by any of these risks, as well as other risks not currently known to us or that are currently considered immaterial. The trading price of our Series 1 common stock could decline due to any of the risks and uncertainties described below, and you may lose all or part of your investment. In assessing these risks, you should also refer to the other information contained in this Annual Report on Form 10-K, including our consolidated financial statements and related notes.

Risks Related to Our Business

We are an early-stage company with a limited operating history, which makes it difficult to evaluate our current business and future prospects and may increase the risk of your investment.

We began our operations in September 2007 and did not enter the digital offer industry until late 2009. Our limited operating history may make it difficult to evaluate our current business and our future prospects. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly changing industries, including challenges in accurate financial planning and forecasting. You should consider our business and prospects in light of the risks and difficulties we may encounter as an early-stage company.

If we are unable to continue to attract visitors to our websites from search engines, then consumer traffic to our websites could decrease, which could negatively impact the number of purchases generated for our retailers through our marketplace, and therefore negatively impact our ability to maintain or grow our net revenues and profitability.

We generate consumer traffic to our websites using various methods, including search engine marketing, or SEM, search engine optimization, or SEO, email campaigns and social media referrals. Our net revenues and profitability levels are dependent upon our continued ability to use a combination of these methods to generate consumer traffic to our websites in a cost-efficient manner. We have experienced and continue to experience fluctuations in search result rankings for a number of our websites. There can be no assurances that we will be able to grow or maintain current levels of consumer traffic.

Our SEM and SEO techniques have been developed to work with existing search algorithms utilized by the major search engines. Major search engines frequently modify their search algorithms. Changes in these algorithms could cause our websites to receive less favorable placements, which could reduce the number of users who visit our websites. For example, in May 2014 Google released an update to its search algorithm that impacted the rankings of all of our websites for certain keywords. In some of those instances, consumer traffic to

our websites decreased when compared to traffic levels immediately prior to the algorithm update. We may be unable to modify our SEM and SEO strategies in response to any future search algorithm changes made by the major search engines, which could require a change in the strategy we use to generate consumer traffic to our websites. In addition, websites must comply with search engine guidelines and policies. These guidelines and policies are complex and may change at any time. If we fail to follow such guidelines and policies properly, search engines may rank our content lower in search results or could remove our content altogether from their indices. If we fail to understand and comply with these guidelines, our SEO strategy may become unsuccessful.

In some instances, search engines may change their displays or rankings in order to promote their own competing products or services or the products or services of one or more of our competitors. For example, Google is currently promoting its product-listing advertisements adjacent to its search results, which could reduce traffic to our websites. Given the large volume of search-driven traffic to our websites and the importance of the placement and display of results of a user's search, similar actions in the future could have a negative effect on our business and results of operations.

If we are listed less prominently or fail to appear in search result listings for any reason, it is likely that the number of visitors to our websites will decline. Any such decline in consumer traffic to our websites could adversely impact the number of purchases we generate for our retailers, which could adversely affect our net revenues. For example, after Google released an update to its search algorithm in May 2014 consumer traffic to our websites decreased in some instances when compared to traffic levels immediately prior to the algorithm update, which negatively impacted our net revenues. We may not be able to replace this traffic with the same volume of visitors or in the same cost-effective manner from other channels, such as SEM, display advertising, e-mail or social media, or at all. An attempt to replace this traffic through other channels may require us to increase our sales and marketing expenditures, which would adversely affect our operating results and which may not be offset by additional net revenues.

Although consumer traffic to our mobile applications is not reliant on search results, growth in mobile device usage may not decrease our overall reliance on search results if mobile users use our mobile websites rather than our mobile applications. In fact, growth in mobile device usage may exacerbate the risks associated with how and where our websites are displayed in search results because mobile device screens are smaller than desktop computer screens and therefore display fewer search results.

Consumers are increasingly using mobile devices to access our content and if we are unsuccessful in expanding the capabilities of our digital offer solutions for our mobile platforms to allow us to generate net revenues as effectively as our desktop platforms, our net revenues could decline.

Web usage and the consumption of digital content are increasingly shifting to mobile platforms such as smartphones and other connected devices. In 2014, visits to our mobile websites represented approximately 28% of the total visits to our websites, and we expect the percentage of visits to our mobile websites to continue to grow. Industry-wide solutions to monetize digital offer content effectively on these platforms are at an early stage of development and the future demand and growth prospects for digital offer content on these mobile platforms are uncertain. Further, the rate at which we monetize digital offer content on our mobile websites and applications is significantly lower than the rate on our desktop websites.

The growth of our business depends in part on our ability to deliver compelling solutions to consumers and retailers through these new mobile marketing channels. Our success on mobile platforms will be dependent on our interoperability with popular mobile operating systems that we do not control, such as Android, iOS and Windows Mobile, and any changes in such systems that degrade our functionality or give preferential treatment to competitive services could adversely affect usage of our services through mobile devices.

Further, to deliver high quality mobile offerings, it is important that our solutions integrate with a range of other mobile technologies, systems, networks and standards that we do not control. We may not be successful in developing relationships with key participants in the mobile industry or in developing products that operate

effectively with these technologies, systems, networks or standards. For example, some retailers today do not recognize affiliate tracking links on their mobile websites or applications, and affiliate tracking links on mobile websites or applications may not function to allow retailers' sales to be attributed to us. Further, consumers may click on a digital offer displayed on our mobile websites or in our mobile applications, but execute a purchase using that digital offer on a different platform, such as on the retailer's desktop website or in-store, which may result in those retailer sales not being attributed to us. As a result, in each such case, we may not receive commission revenues when a consumer executes a purchase on the retailer's platform after clicking through a digital offer displayed on our mobile websites or in our mobile applications. If retailers fail to recognize affiliate tracking links on their mobile websites or applications, or affiliate tracking links on mobile websites or applications do not function to allow retailers' sales to be attributed to us and our mobile traffic continues to increase or represent a higher percentage of our consumer traffic, our business could be harmed and our operating results could be adversely affected.

If we fail to develop mobile applications and mobile websites that effectively address consumer and retailer needs, or if we are not able to implement strategies that allow us to monetize mobile platforms and other emerging platforms, our ability to grow will be constrained, and our business, financial condition and operating results would be adversely affected.

If retailers alter the way they attribute credit to publishers in their performance marketing programs, our net revenues could decline and our operating results could be adversely affected.

Retailers often advertise and market digital offers through performance marketing programs, a type of performance-based marketing in which a retailer rewards one or more publishers such as us for each visitor or customer generated by the publisher's own marketing efforts. When a consumer executes a purchase on a retailer's website as a result of a performance marketing program, most performance marketing conversion tracking tools credit the most recent link or ad clicked by the consumer prior to that purchase. This practice is generally known as "last-click attribution." We generate the vast majority of our net revenues through transactions for which we receive last-click attribution. In recent years, some retailers have sought, and in some cases adopted, alternatives to last-click attribution. These alternatives are primarily "first-click attribution," which credits the first link or ad clicked by a consumer prior to executing a purchase, or "multichannel attribution," which applies weighted values to each of a retailer's advertisements and tracks how each of those advertisements contributed to a purchase. If retailers widely adopt first-click attribution, multichannel attribution or otherwise alter the ways they attribute credit for purchases to us, and if we are unable to adapt our business practices to such alterations, our net revenues could decline and our business, financial condition and operating results could be adversely affected.

If we are unable to retain our existing retailers, expand our business with existing retailers or attract new retailers and consumers, our net revenues could decline.

Our ability to continue to grow our net revenues will depend in large part on expanding our business with existing retailers and attracting new retailers. The number of our current retailers may not expand materially beyond our existing base and may decline. Even for our largest retailers, the amount they pay us is typically only a small fraction of their overall advertising budget. Retailers may view their spend with us as experimental and may either reduce or terminate their spend with us if they determine a superior alternative for generating sales. In addition, retailers may determine that distributing digital offers through our platform results in undesirably broad distribution of their digital offers or otherwise does not provide a compelling value proposition. Some retailers have demanded that we remove digital offers relating to their products or services from our marketplace, and we anticipate that some retailers will do so in the future. Retailers have in some cases reduced, and may reduce in the future, the commission rates they pay to us for sales we facilitate. If we are unable to negotiate favorable terms with current or new retailers in the future, including the commission rates they pay us, our operating results will be adversely affected.

Retailers do not enter into long-term obligations with us requiring them to use our solutions and their contracts with us are cancelable upon short or no notice and without penalty. We cannot be sure that our retailers will continue to use our solutions or that we will be able to replace retailers that do not renew their campaigns with new ones generating comparable revenues.

If we are unable to attract new consumers and maintain or increase consumer traffic to our websites and use of our mobile applications, new retailers may choose not to use, and existing retailers may not continue to use, our solutions for their promotional campaigns, and our volume of new digital offer inventory may suffer as the perceived usefulness of our marketplace declines. If our existing retailers do not continue to use our solutions for their promotional campaigns, or if we are unable to attract and expand the amount of business we do with new retailers, our sales will decrease and our operating results will be adversely affected.

We are highly dependent on performance marketing networks as intermediaries. Factors adversely affecting our relationships with performance marketing networks, or the termination of our relationships with these networks, may adversely affect our ability to attract and retain business and our operating results.

Most of our net revenues come from commissions earned for promoting digital offers on behalf of retailers. Often, the commissions we earn are tracked and paid by performance marketing networks. For 2014, 94.8% of our net revenues came from retailers that pay us through performance marketing networks, primarily Commission Junction and LinkShare. Performance marketing networks provide retailers with affiliate tracking links for attributing revenues to publishers like us and the ability to distribute digital offer content to multiple publishers. We do not have exclusive relationships with performance marketing networks. They do not enter into long-term commitments to us allowing us to use their solutions, and their contracts with us are cancelable upon short or no notice and without penalty.

Our sales could be adversely impacted by industry changes relating to the use of performance marketing networks. For example, if retailers seek to bring the distribution of their digital offer content in-house rather than using a performance marketing network, we would need to develop relationships with more retailers directly, which we might not be able to do and which could increase our sales, marketing and product expenses. Additionally, we face challenges associated with consumers' increasing use of mobile devices to complete their online purchases. For example, many retailers currently do not recognize affiliate tracking links on their mobile websites or applications, and tracking mechanisms on mobile websites or applications may not function to allow retailers to properly attribute sales to us. As a result, we may not receive commission revenues when a consumer makes a purchase from their mobile device on a retailer's mobile website after clicking through a digital offer displayed on one of our websites or mobile applications if the retailer's mobile monetization mechanisms are not enabled.

Moreover, as a result of dealing primarily with performance marketing networks, we have less of a direct relationship with retailers than would be the case if we dealt directly with retailers. The presence of performance marketing networks as intermediaries between us and retailers creates a challenge to building our own brand awareness and affinity with retailers. Additionally, in the event that our relationship with a performance marketing network were to terminate, our mechanism for receiving payments from the retailers we service through that network would terminate, which could materially and adversely impact our net revenues. Additionally, retailers may fail to pay the performance marketing networks the fees the retailers owe, which is a prerequisite to us receiving our commissions from the networks.

Some performance marketing networks that we work with could be considered our competitors because they also offer some components of our solution, including publishing digital offers, on their own properties. For example, in September 2014, the parent company of LinkShare announced its purchase of ebates.com, a cash back business with which we compete. LinkShare could elect to terminate its relationship with us or limit our ability to maintain or establish new relationships with retailers participating in its network in order to drive

business to its own properties. If a performance marketing network further develops its own properties with digital offer capabilities or limits our access to its network for the purposes of driving revenue to its own properties, our ability to compete effectively could be significantly compromised and our business and operating results could be adversely affected.

The market in which we participate is intensely competitive, and we may not be able to compete successfully.

The market for digital offer solutions is highly competitive, fragmented and rapidly changing. Our competition for traffic from consumers seeking to save money on online or in-store purchases includes digital offer websites and mobile applications, cash back and loyalty websites and mobile applications, retailers, search engines, social networks, comparison shopping websites, newspapers and direct mail campaigns. Our competition for retailer marketing spend includes digital offer sites that offer a pay-for-performance model, search engines and social networks that compete for online advertising spend and television, magazines and newspapers that compete for offline advertising spend. With the introduction of new technologies and the influx of new entrants to the market, we expect competition to persist and intensify in the future, which could harm our ability to increase sales and maintain our profitability. We also expect competition in e-commerce generally, and digital offer solutions in particular, to continue to increase because there are no significant barriers to entry. A substantial number of digital offer websites, including those that attempt to replicate our business model, have emerged globally. In addition to such competitors, we are experiencing increasing competition from other businesses that provide digital offers similar to ours as an add-on to their core business. For example, Groupon, Living Social and Coupons.com are now providing digital offers, and Google and PayPal are now providing digital offers for in-store purchases. We also expect to compete against other Internet sites that serve niche markets and interests. In addition, we compete with traditional offline coupon and discount services, as well as newspapers, magazines and other traditional media companies that provide coupons and discounts on products and services.

Our success depends on the breadth, depth, quality and reliability of our digital offer selection, as well as our continued innovation and ability to provide features that make our marketplace useful and appealing to consumers. If we are unable to develop quality features that consumers want to use, then consumers may become dissatisfied with our marketplace and elect to use the offerings of one of our competitors, which could adversely affect our operating results.

Certain of our larger actual or potential competitors may have the resources to significantly change the nature of the digital offer industry to their advantage, which could materially disadvantage us. For example, Google now displays product-listing advertisements above the organic search results returned by its search engine in response to user searches, which may reduce the amount of traffic to our websites. Additionally, potential competitors such as PayPal, Yahoo!, Bing and Facebook have widely adopted industry platforms which they could leverage to distribute digital offers that could be disadvantageous to our competitive position.

Our current and potential competitors may have significantly more financial, technical, marketing and other resources than we have, be able to devote greater resources to the development, promotion, sale and support of their products and services, have more extensive consumer bases and deeper relationships, and may have longer operating histories and greater name recognition than we have. As a result, these competitors may be better able to respond quickly to new technologies, develop deeper retailer relationships or offer services at lower prices. Any of these developments would make it more difficult for us to sell our solutions and could result in increased pricing pressure, reduced profit margins, increased sales and marketing expense or the loss of market share.

In the traditional coupon landscape, our primary competitors for advertising spend include publishers of printable coupons. Many of these competitors have significant consumer reach, well-developed retailer relationships, and much larger financial resources and longer operating histories than we have.

We also directly and indirectly compete with retailers for consumer traffic. Many retailers market and provide their own digital offers directly to consumers using their own websites, email newsletter and alerts, mobile applications, social media presence and other distribution channels. Our retailers could be more successful than we are at marketing their own digital offers or could decide to terminate their relationship with us because they no longer want to pay us to compete against them.

We may also face competition from companies we do not yet know about. If existing or new companies develop, market or resell competitive digital offer solutions, acquire one of our existing competitors or form a strategic alliance with one of our competitors, our ability to compete effectively could be significantly compromised and our operating results could be harmed.

We have experienced rapid growth in recent periods. If we fail to manage our growth, our financial performance may suffer.

We have expanded our overall business, consumer traffic, paid retailers, employee headcount and operations in recent periods. We increased our total number of full-time employees from 35 as of December 31, 2010 to 527 as of December 31, 2014. We have also established or acquired operations in other countries. In 2011, we acquired the business of VoucherCodes.co.uk, which is based in the U.K. In 2012, we acquired Bons-de-Reduction.com and Poulpeo.com, which are based in France, and relaunched Deals.com in Germany. In March 2013, we acquired Actiepagina.nl, which is based in the Netherlands. In July 2013, we acquired Ma-Reduc.com, which is based in France. In most of these instances, we previously had no presence in these countries. Our business is becoming increasingly complex, especially in light of the number of acquisitions we have integrated and are in the process of integrating. Our limited operating history, reliance on multiple websites and brands and our rapid expansion have placed, and will continue to place, a significant strain on our managerial, operational, product development, sales and marketing, administrative, financial and other resources.

We expect to continue to increase headcount and to hire more specialized personnel in the future. We will need to continue to hire, train and manage additional qualified website and mobile application developers, software engineers, sales staff, and product development specialists in order to improve and maintain our technology to properly manage our growth. If our new hires perform poorly, if we are unsuccessful in hiring, training, managing and integrating these new employees or if we are not successful in retaining our existing employees, our business may be harmed.

Further, to accommodate our expected growth we must add new hardware and software and improve and maintain our technology, systems and network infrastructure. Failure to effectively upgrade our technology or network infrastructure to support our expected increases in traffic volume could result in unanticipated system disruptions, slow response times or poor experiences for consumers. To manage the expected growth of our operations and personnel and to support financial reporting requirements as a public company, we will need to improve our transaction processing and reporting, operational and financial systems, procedures and controls. These improvements will be particularly challenging if we acquire new operations with different back-end systems. Our current and planned personnel, systems, procedures and controls may not be adequate to support our future operations. If we are unable to manage our growth successfully and hire additional qualified personnel in an efficient manner, our business, financial conditions and operating results could be adversely affected.

We experience quarterly fluctuations in our operating results due to a number of factors that make our future results difficult to predict and could cause our operating results to fall below expectations or our guidance.

Our business is subject to seasonal fluctuations. Specifically, our net revenues are traditionally strongest in the third and fourth quarters of each year due to increases in holiday shopping. Conversely, our first and second quarter net revenues are typically lower.

Since the majority of our expenses are personnel-related and include salaries and stock-based compensation, benefits and incentive-based compensation plan expenses, we have not experienced significant seasonal fluctuations in the timing of our expenses from period to period other than increases in discretionary advertising and promotional spending during the third and fourth quarter holiday shopping period. We plan to continue to increase our investment in sales, engineering and product development substantially as we seek to leverage our solution to capitalize on what we see as a growing global opportunity. We also expect that our general and administrative expense will increase over time to support our growing operations. For the foregoing reasons or other reasons we may not anticipate, historical patterns should not be considered indicative of our future sales activity, expenditure levels or performance.

Factors that may affect our quarterly operating results include the following:

- the number and quality of the digital offers on our websites and mobile applications;
- consumer visits to our websites and use of our mobile applications, and purchases of retail products by consumers resulting from those visits or application sessions;
- our ability to increase the commissions and other revenues associated with consumer visits to our mobile websites or use of our mobile applications;
- the success and costs of our online advertising and marketing initiatives, including advertising costs for paid search keywords that we deem relevant to our business;
- the levels of compensation that retailers are willing to pay us to attract customers;
- the amount that consumers spend when they make purchases using the digital offers we provide;
- market acceptance of our current and future solutions, including our ability to retain current retailers, sell additional solutions to existing retailers and to add new retailers to our business in multiple regions around the world;
- overall levels of consumer spending;
- the budgeting cycles of our retailers;
- the cyclical and discretionary nature of marketing spend and any resulting changes in the number and quality of digital offers that retailers choose to offer;
- changes in the competitive dynamics of the digital offer industry, including consolidation among competitors, performance marketing networks or customers, and our reputation and brand strength relative to our competitors;
- the response of consumers to our digital offer content and our personalization initiatives;
- our ability to control costs, including our operating expenses;
- network outages, errors in our solutions or security breaches and any associated expenses and collateral effects;
- our ability to achieve the growth rate that was anticipated by us in setting our operating and capital expense budgets;
- foreign currency exchange rate fluctuations, as our foreign sales and costs are denominated in local currencies;
- interest rate fluctuations, as our senior indebtedness carries a variable interest rate;
- costs related to acquisitions or licensing of, or investments in, products, services, technologies or other businesses and our ability to integrate and manage any acquisitions successfully;
- our ability to collect amounts billed to retailers directly and through performance networks; and
- general economic and political conditions in our domestic and international markets.

As a result of these and other factors, we have a limited ability to forecast the amount of future net revenues and expenses, and our operating results may vary from quarter to quarter and may fall below our estimates or the expectations of public market analysts and investors. Fluctuations in our quarterly operating results may lead analysts to change their long-term models for valuing our common stock, cause us to face short-term liquidity issues, impact our ability to retain or attract key personnel or cause other unanticipated issues, all of which could cause our stock price to decline. As a result of the potential variations in our quarterly net revenues and operating results, we believe that quarter-to-quarter comparisons of our net revenues and operating results may not be meaningful and the results of any one quarter should not be relied upon as an indication of future performance.

If online commerce does not continue to grow, or contracts, our business may suffer.

The business of selling goods and services over the Internet, and the use of digital offers in those transactions, is dynamic and relatively new. Concerns about fraud, privacy and other challenges may discourage additional consumers from adopting the Internet as a medium of commerce. Acquiring new customers for our marketplace and increasing consumer traffic may become more difficult and costly than it has been in the past, particularly in markets where our marketplace has been available for some time. In order to increase consumer traffic to our websites and use of our mobile applications, we must appeal to consumers who historically have used traditional means of commerce to purchase goods and services and may prefer alternatives to our websites and mobile applications, such as the retailer's own website or mobile application. In addition, consumers may not be accustomed to using one of our mobile applications to access digital offers that can be used by the consumer while in a retail store or restaurant. If these consumers prove to be less active than consumers who are already providing traffic to our websites or using our mobile applications, or we are unable to gain efficiencies in our operating costs, including our cost of increasing consumer traffic to our websites or increasing the number of mobile application sessions, our business could be adversely impacted. Furthermore, to the extent that weak economic conditions cause consumer spending to decline or cause our customers and potential customers to freeze or reduce their marketing budgets, particularly in the online retail market, demand for our solutions may be negatively affected.

If we are not able to maintain a positive perception of the content available through our marketplace, maintain and enhance our RetailMeNot brand and the brands associated with each of our other websites and mobile applications, our reputation and business may suffer.

A decrease in the quality of the digital offers available through our marketplace could harm our reputation and damage our ability to attract and retain consumers and retailers, which could adversely affect our business. Additionally, maintaining and enhancing our RetailMeNot brand and the brands of each of our other websites is critical to our ability to attract new retailers and consumers to our marketplace, generate net revenues and successfully introduce new solutions. We may not be able to successfully build our RetailMeNot brand in the U.S. without losing some or all of the value associated with, or decreasing the effectiveness of, our other brands. We expect that the promotion of our brands will require us to make substantial investments and as our market becomes more competitive, these branding initiatives may become increasingly difficult and expensive. The successful promotion of our brands will depend largely on our marketing and public relations efforts. If we do not successfully maintain and enhance our brands, we could lose consumer traffic, which could, in turn, cause retailers to terminate or reduce the extent of their relationship with us. Our brand promotion activities may not be successful or may not yield net revenues sufficient to offset this cost, which could adversely affect our reputation and business.

Our business model depends upon digital offer inventory that we do not own or otherwise control, and the failure to maintain sufficient inventory or quality of the digital offers available on our websites may adversely affect our perceived value by consumers and therefore retailers.

Our success depends on our ability to provide consumers with the digital offers they seek. A substantial majority of our revenues come from arrangements in which we are paid by retailers to promote their digital offers. Additionally, as much as one-third of the digital offers on our websites are submitted by users. Therefore, we do not own or control the inventory of content upon which our business depends. Because a large number of

our digital offers are submitted by users, our efforts to ensure the quality and reliability of those digital offers are critical to our success. From time to time consumers submit complaints that our digital offers are invalid or expired. If our algorithms and automated processes for validating and sorting user-submitted digital offers are ineffective, or if our employees responsible for manual review and curation of user-submitted digital offers are unable to effectively select and sort the digital offers that are reliable and most appealing to our users, we may be unable meet the needs of consumers and our operating results may be adversely affected.

Retailers have a variety of channels through which to promote their products and services. If these retailers elect to promote their offers and discounts through other channels, offer less compelling offers or discounts or not to promote offers or discounts at all, or if our competitors are willing to accept lower commissions than we are to promote these digital offers, our ability to obtain content may be impeded and our business, financial condition and operating results will be adversely affected. Similarly, if users do not contribute digital offers to our websites, or if they contribute digital offers that are not attractive or reliable, the digital offer inventory in our marketplace may decrease or become less valuable to consumers. If we cannot maintain sufficient digital offer inventory in our marketplace, consumers may perceive our marketplace as less relevant, consumer traffic to our websites and use of our mobile applications would decline and, as a result, our business, financial condition and operating results would be adversely affected.

If Texas or any other jurisdiction in which we are resident implements regulations that impose sales tax on certain e-commerce or m-commerce transactions, our net revenues could decline and our business, financial condition and operating results will be adversely affected.

In 2008, New York implemented regulations that require retailers to collect and remit sales taxes on sales made to residents of New York if the publisher that facilitated that sale is a New York resident. In 2011, California passed similar regulations, and several other states have proposed similar regulations, although some of the regulations proposed by these other states have not passed. In addition, the State of New Jersey, a state in which we have operations, passed similar regulations on July 1, 2014. The requirement to collect and remit sales tax in New Jersey has not had a material impact on our results of operations to date. However, in the future, paid retailers in our marketplace that do not currently have sales tax nexus in New Jersey or in any other state that passes or has passed similar regulations and in which we have operations, employees or contractors in the future, may significantly alter the manner in which they pay us, cease paying us for sales we facilitate for that retailer in that state or cease using our marketplace, each of which could adversely impact our operating results. Further, if Texas were to pass similar regulations, we believe a substantial number of the paid retailers in our marketplace would cease paying us for sales we facilitate for that retailer in Texas, significantly alter the manner in which they pay us or cease using our marketplace. This would decrease our sales and our business, financial condition and operating results would be adversely affected.

Our failure or the failure of third-party service providers to protect our platform and network against security breaches, or otherwise protect our confidential information, could damage our reputation and brand and substantially harm our business and operating results.

We deliver digital offers via our websites, mobile applications, email newsletter and alerts and social media presence, and we collect and maintain data about consumers, including personally identifiable information, as well as other confidential or proprietary information. Our security measures may not detect or prevent all attempts to hack our systems, denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by our platform or that we or our third-party service providers otherwise maintain. Breaches of our security measures or those of our third-party service providers could result in unauthorized access to our platform or other systems; unauthorized access to and misappropriation of consumer information, including consumers' personally identifiable information, or other confidential or proprietary information of ourselves or third parties; viruses, worms, spyware or other malware being served from our platform; deletion or modification of content, or the display of unauthorized content, on our websites or our mobile applications; or a denial of service or other interruption in our operations. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, our size and

scale, our geographic footprint and international presence, our use of open source software and technologies, the outsourcing of some of our business operations and continued threats of cyber-attacks. Although cybersecurity and the development and enhancement of controls, processes and practices designed to protect our and our third party providers' systems, computers, software, data and networks from attack, damage or unauthorized access are a high priority for us, this may not successfully protect our respective systems against all vulnerabilities, including technologies developed to bypass our security measures. In addition, outside parties may attempt to fraudulently induce employees, users or retailers to disclose sensitive information in order to gain access to our or our third party providers' secure systems and networks.

Because techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers, we and they may be unable to anticipate these attacks or to implement adequate preventative measures. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. Any actual or perceived breach of our security could damage our reputation and brand, expose us to a risk of loss or litigation and possible liability, require us to expend significant capital and other resources to alleviate problems caused by such breaches and deter consumers and retailers from using our online marketplace, which would harm our business, financial condition and operating results.

Interruptions or delays in service from third-party data center hosting facilities and other third parties could impair the delivery of our solutions and harm our business.

We operate our business using third-party data center hosting facilities located in California, Oregon, Virginia, the U.K., France, Germany, Ireland and the Netherlands. All of our data gathering and analytics are conducted on, and the content we deliver is processed through, servers in these facilities. We also rely on bandwidth providers, Internet service providers and mobile networks to deliver content. Any damage to, or failure of, the systems of our third-party providers could result in interruptions to our service.

Despite precautions taken at our third-party data centers, these facilities may be vulnerable to damage or interruption from break-ins, computer viruses, denial-of-service attacks, acts of terrorism, vandalism or sabotage, power loss, telecommunications failures, fires, floods, earthquakes, hurricanes, tornadoes and similar events. The occurrence of any of these events, a decision to close the facilities without adequate notice or other unanticipated problems at these facilities could result in loss of data, lengthy interruptions in the availability of our services and harm to our reputation and brand. While we have disaster recovery arrangements in place, they have not been tested under actual disasters or similar events.

Additionally, our third-party data center facility agreements are of limited duration, and our third-party data center facilities have no obligation to renew their agreements with us on commercially reasonable terms, or at all. If for any reason we are unable to renew our agreements with these facilities on commercially reasonable terms or if our arrangement with one or more of our data centers is terminated, we could experience additional expense in arranging for new facilities and support, and we may experience delays in the provisioning of our solutions until an agreement with another data center facility can be arranged. This shift to alternate facilities could take more than 24 hours depending on the nature of the event, which could cause significant interruptions in the delivery of our solutions and adversely affect our business and reputation. In addition, the failure of these facilities to meet our capacity requirements could result in interruptions in the availability or functionality of our solutions or impede our ability to scale our operations.

Furthermore, we depend on continuous and uninterrupted access to the Internet through third-party bandwidth providers to operate our business. If we lose the services of one or more of our bandwidth providers for any reason or if their services are disrupted, we could experience disruption in our services or we could be required to retain the services of a replacement bandwidth provider, which could increase our operating costs and harm our business and reputation.

Any errors, defects, disruptions or other performance problems with our solutions could harm our reputation and may damage our retailers' businesses. Interruptions in our solutions could cause retailers to terminate their contracts with us, which would likely reduce our net revenues and harm our business, operating results and financial condition.

An increase in the return rate of paid retailers' products or a change in the categories of products retailers choose to promote using digital offers could reduce our net revenues.

The commission revenues we receive from paid retailers are in part a function of the amount consumers purchase from paid retailers net of product returns. We do not have control over the categories or quality of products or services that our retailers deliver, nor do we have control over the digital offers they provide us. As a result, we rely on our historical experience for our estimate of returns. If paid retailers' actual levels of returns are greater than the level of returns we estimate or if paid retailers elect to use digital offer content to promote products and services with a higher return rate than what we have experienced historically, our net revenues could decline. Because some categories of products tend to experience higher return rates than others, a shift in the types of goods consumers purchase using our solutions could lead to an increase in returns and our net revenues could decline. Additionally, return rates in the foreign countries in which we operate are currently higher than return rates in the U.S. If we continue to expand our operations in countries with high return rates, our operating results may be negatively affected.

Regulatory, legislative or self-regulatory developments regarding Internet privacy matters could adversely affect our ability to conduct our business.

Consumer and industry groups have expressed concerns about online data collection and use by companies, which has resulted in the release of various industry self-regulatory codes of conduct and best practice guidelines that are binding for member companies and that govern, among other things, the ways in which companies can collect, use and disclose user information, how companies must give notice of these practices and what choices companies must provide to consumers regarding these practices. We are obligated in certain cases to comply with best practices or codes of conduct addressing matters, such as the online tracking of users or devices.

U.S. regulatory agencies have also placed an increased focus on online privacy matters and, in particular, on online advertising activities that utilize cookies, which are small files of non-personalized information placed on an Internet user's computer, and other online tracking methods. Such regulatory agencies have released, or are expected to release, reports pertaining to these matters. For example, on March 26, 2012, the Federal Trade Commission, or FTC, issued a report on consumer privacy intended to articulate best practices for companies collecting and using consumer data. The report recommends companies adopt several practices that could have an impact on our business, including giving consumers notice and offering them choices about being tracked across other parties' websites and implementing a persistent "Do Not Track" mechanism to enable consumers to choose whether to allow tracking of their online search and browsing activities, including on mobile devices. Various industry participants have worked to develop and finalize standards relating to a Do Not Track mechanism, and such standards may be implemented and adopted by industry participants at any time. We may be required or otherwise choose to adopt Do Not Track mechanisms, in which case our ability to use our existing tracking technologies and permit their use by performance marketing networks and other third parties could be impaired. This could cause our net revenues to decline and adversely affect our operating results.

U.S. and foreign governments have enacted, considered or are considering legislation or regulations that could significantly restrict industry participants' ability to collect, augment, analyze, use and share anonymous data, such as by regulating the level of consumer notice and consent required before a company can employ cookies or other electronic tracking tools. A number of bills have been proposed in the U.S. Congress in the past that contained provisions that would have regulated how companies can use cookies and other tracking technologies to collect and use information about consumers. Some of those bills also contained provisions that would have specifically regulated the collection and use of information, particularly geolocation information, from mobile devices. At least one such bill presently has been proposed in the U.S. Congress.

Additionally, the EU has traditionally imposed more strict obligations under data privacy laws and regulations. Individual EU member countries have had discretion with respect to their interpretation and implementation of EU data privacy laws, resulting in variation of privacy standards from country to country. Legislation and regulation in the EU and some EU member states requires companies to obtain specific types of notice and consent from consumers before using cookies or other tracking technologies. To comply with these requirements, the use of cookies or other similar technologies may require the user's affirmative, opt-in consent. Additionally, in January 2012, the European Commission announced significant proposed reforms to its existing data protection legal framework that, if implemented, may result in a greater compliance burden with respect to our operations in Europe. These reforms continue to be debated and there remains uncertainty surrounding them both with respect to their scope and if and when they will be implemented. In addition, the European Court of Justice, or ECJ, recently found that there is a "right to be forgotten," which means that the user has a right to request his or her personal information be deleted. In deciding this case, the ECJ purported to extend jurisdictional reach over foreign Internet activities. As a result of this decision, significant new restraints may be imposed on the retention of personal data throughout the EU, which could impact the operation and growth of our business in EU.

Changes in global privacy laws and regulations and self-regulatory regimes may force us to incur substantial costs or require us to change our business practices. This could compromise our ability to pursue our growth strategies effectively and may adversely affect the demand for our solutions or otherwise harm our business and financial condition. For instance, new privacy laws or regulations or changed interpretations of existing laws or regulations could require performance marketing networks or us to take additional measures to facilitate consumer privacy preferences or to limit or cease altogether the collection, use or disclosure of data. For example, one potential restriction on the use of cookies would allow a website that a consumer has elected to visit to continue to place cookies on the user's browser without explicit consent, but would require the user's explicit consent for a third party to place its cookies on the user's browser. A recent FTC staff report also recommends that websites offer consumers a choice about whether the owner of the website can use third parties to track the consumer's activity for certain purposes. We are dependent on third parties, including performance marketing networks, to place cookies on browsers of users that visit our websites. If in the future we are restricted from allowing cookies, if there is a material increase in the number of users who choose to opt out or block cookies and other tracking technologies, or if performance marketing networks' cookies or other tracking mechanisms otherwise do not function properly, our ability to generate net revenues would be significantly impaired.

Finally, we may be subject to foreign laws regulating online advertising even in jurisdictions where we do not have any physical presence to the extent a digital media content provider has advertising inventory that we manage or to the extent that we collect and use data from consumers in those jurisdictions. Such laws may vary widely around the world, making it more costly for us to comply with them. Failure to comply may harm our business and our operating results could be adversely affected.

Changes in consumer sentiment or laws, rules or regulations regarding the use of cookies and other tracking technologies and other privacy matters could have a material adverse effect on our ability to generate net revenues and could adversely affect our ability to collect proprietary data on consumer shopping behavior.

Consumers may become increasingly resistant to the collection, use and sharing of information online, including information used to deliver advertising and to attribute credit to publishers such as us in performance marketing programs, and take steps to prevent such collection, use and sharing of information. For example, consumer complaints and/or lawsuits regarding online advertising or the use of cookies or other tracking technologies in general and our practices specifically could adversely impact our business.

Consumers can currently opt out of the placement or use of most cookies for online advertising purposes by either deleting or disabling cookies on their browsers, visiting websites that allow consumers to place an opt-out

cookie on their browsers, which instructs participating entities not to use certain data about consumers' online activity for the delivery of targeted advertising, or by downloading browser plug-ins and other tools that can be set to: identify cookies and other tracking technologies used on websites; prevent websites from placing third-party cookies and other tracking technologies on the user's browser; or block the delivery of online advertisements on websites and applications.

Changes in device and software features could make it easier for Internet users to prevent the placement of cookies or to block other tracking technologies. In particular, the default settings of consumer devices and software may be set to prevent the placement of cookies unless the user actively elects to allow them. For example, Apple's Safari browser currently has a default setting under which third-party cookies are not accepted, and users must activate a browser setting to enable cookies to be set. Additionally, Mozilla Corporation announced on February 25, 2013, that its Firefox browser also will not accept third-party cookies by default. On February 22, 2012, the Digital Advertising Alliance announced that its members will work to add browser-based header signals to the set of tools by which consumers can express their preferences not to be tracked online. As discussed above, a recent FTC report on consumer privacy calls for the development and implementation of a persistent Do Not Track mechanism that enable consumers to choose whether to allow the tracking of their online search and browsing activities. Various industry participants have worked to develop and finalize standards relating to a Do Not Track mechanism, and such standards may be implemented and adopted by industry participants at any time.

We are dependent on performance marketing networks or in some instances, retailers, to place cookies on browsers of users that visit our websites or to use other tracking mechanisms to allow retailer sales through our marketplace to be attributed to us, and if we are restricted from allowing these or if they do not function in a manner that allows retailer sales through our marketplace to be attributed to us, our ability to generate net revenues would be significantly impaired. In particular, if consumer sentiment regarding privacy issues or the development and deployment of new browser solutions or other Do Not Track mechanisms results in a material increase in the number of users who choose to opt out or block cookies and other tracking technologies or who are otherwise using browsers where they need to, and fail to, configure the browser to accept cookies, or otherwise results in cookies or other tracking technologies not functioning properly, our ability to conduct our business, operating results and financial condition would be adversely affected.

In addition to this change in consumer preferences, if retailers or brands perceive significant negative consumer reaction to targeted online advertising or the tracking of consumers' online activities, they may determine that such advertising or tracking has the potential to negatively impact their brand. In that case, advertisers may limit or stop the use of our solutions, and our operating results and financial condition would be adversely affected.

Our business practices with respect to data and consumer protection could give rise to liabilities or reputational harm as a result of governmental regulation, legal requirements or industry standards relating to consumer privacy, data protection and consumer protection.

Federal, state and international laws and regulations govern the collection, use, retention, sharing and security of data that we collect. In addition, certain laws impose restrictions on communications with persons by email, sms text messages and other means of delivery. We are also subject to the terms of our privacy policies and privacy-related obligations to third parties. We strive to comply with all applicable laws, regulations, self-regulatory requirements and legal obligations relating to privacy, data protection and consumer protection, including those relating to the use of data for marketing purposes. It is possible, however, that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. For example, several Internet companies have incurred penalties for failing to abide by the representations made in their privacy policies and practices. We cannot assure you that our practices have complied, comply, or will comply fully with all such laws, regulations, requirements and obligations. Any

failure, or perceived failure, by us to comply with federal, state or international laws or regulations, including laws and regulations regulating privacy, data security, marketing communications or consumer protection, our own privacy policies and practices, or other policies, self-regulatory requirements or legal obligations could result in harm to our reputation, a loss in business, and proceedings or actions against us by governmental entities, consumers, retailers or others. Additionally, if third parties we work with violate applicable laws, our policies or other privacy-related obligations, such violations may also put our users' information at risk and could in turn have an adverse effect on our business.

Government regulation of the Internet, e-commerce and mobile commerce is evolving, and unfavorable changes or failure by us to comply with these laws and regulations could substantially harm our business and results of operations.

We are subject to general business regulations and laws as well as regulations and laws specifically governing the Internet, e-commerce and mobile commerce, or m-commerce, in a number of jurisdictions around the world. Existing and future regulations and laws could impede the growth of the Internet, e-commerce, m-commerce or other online services. These regulations and laws may involve taxation, tariffs, privacy and data security, anti-spam, data protection, content, copyrights, distribution, electronic contracts, electronic communications and consumer protection. It is not clear how existing laws and regulations governing issues such as property ownership, sales and other taxes, libel and personal privacy apply to the Internet as the vast majority of these laws and regulations were adopted prior to the advent of the Internet and do not contemplate or address the unique issues raised by the Internet, e-commerce or m-commerce. It is possible that general business regulations and laws, or those specifically governing the Internet, e-commerce or m-commerce may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. We cannot assure you that our practices have complied, comply or will comply fully with all such laws and regulations. Any failure, or perceived failure, by us to comply with any of these laws or regulations could result in damage to our reputation, a loss in business, and proceedings or actions against us by governmental entities or others. Any such proceeding or action could hurt our reputation, force us to spend significant resources in defense of these proceedings, distract our management, increase our costs of doing business, and cause consumers and retailers to decrease their use of our marketplace, and may result in the imposition of monetary liability. We may also be contractually liable to indemnify and hold harmless third parties from the costs or consequences of noncompliance with any such laws or regulations. In addition, it is possible that governments of one or more countries may seek to censor content available on our websites and mobile applications or may even attempt to completely block access to our marketplace. Adverse legal or regulatory developments could substantially harm our business. In particular, in the event that we are restricted, in whole or in part, from operating in one or more countries, our ability to retain or increase our customer base may be adversely affected and we may not be able to maintain or grow our net revenues as anticipated.

As we develop and provide solutions, we may be subject to additional and unexpected regulations, which could increase our costs or otherwise harm our business.

As we develop and provide solutions that address new market segments, we may become subject to additional laws and regulations, which could create unexpected liabilities for us, cause us to incur additional costs or restrict our operations.

We have begun to introduce new product offerings, which may be subject to regulation by federal, state and local authorities and by authorities in foreign countries. For example, unlike our other solutions, in order to facilitate product offerings such as card-linked offers or gifts cards, we must acquire, store and process consumer credit card data or other personally identifiable information. The processing of such information requires compliance with the Payment Card Industry Data Security Standard, or PCI DSS, which compliance certification we previously obtained. Under the PCI DSS, we are required to maintain internal controls over the use, storage and security of credit card data and other personally identifiable information to help prevent credit card fraud.

Failure to comply with this standard or other loss of our PCI DSS compliance could result in breaches of contractual obligations with our payment processors, may subject us to fines, penalties, damages and civil liability and could eventually prevent us from processing or accepting credit cards.

From time to time, we may be notified of or otherwise become aware of additional laws and regulations that governmental organizations or others may claim should be applicable to our business. Our failure to anticipate the application of these laws and regulations accurately, or other failure to comply, could create liability for us, result in adverse publicity or cause us to alter our business practices, which could cause our net revenues to decrease, our costs to increase or our business otherwise to be harmed.

We may face liability for, and may be subject to claims related to, inaccurate or outdated content provided to us, or content provided to us without permission, which could require us to pay significant damages, may be extremely costly to defend even if decided in our favor and could limit our ability to operate.

The information on our websites and mobile applications that is provided by performance marketing networks and retailers and collected from third parties relates to digital offers from retailers. We are exposed to the risk that some of this content may contain inaccurate or outdated information about retailer products or services or the discounts thereon, or digital offers that are not made available or intended to be made available to all consumers. This could cause consumers and retailers to lose confidence in the information provided on our platform or become dissatisfied with our platform and result in lawsuits being filed against us.

In addition, we may face potential liability relating to information that is published or made available through our marketplace, including information generated by us, user-generated content and proprietary information of third parties. This content may expose us to claims related to trademark and copyright infringement and other intellectual property rights, rights of privacy, defamation, fraud, negligence, breach of contract, tortious interference, unfairness, deceptiveness, false or misleading advertising, personal injury torts, noncompliance with state or federal laws relating to digital offers or other theories based on the nature and content of the information. The laws relating to the liability of service providers for activities of their users is currently unsettled both within the U.S. and internationally, although risks related to these types of lawsuits may be enhanced in certain jurisdictions outside the U.S. where our protection from liability for third-party actions is more unclear and where we may be less protected under local laws than we are in the U.S.

Such claims or lawsuits could divert the time and attention of management and technical personnel away from our business and result in significant costs to investigate and defend, regardless of the merits of the claims, as well as significant damages if we are found liable. The scope and amount of our insurance may not adequately protect us against these types of damages. Additionally, as a result of such claims, we may elect or be compelled to remove valuable content from our websites or mobile applications, which could decrease the usefulness of our platform for consumers and result in less traffic to our websites and less usage of our mobile applications. If any of these events occur, our business and financial results could be adversely affected.

Our business could suffer if the jurisdictions in which we operate change the way in which they regulate user-generated content.

Our business, including our ability to operate and expand internationally, could be adversely affected if legislation or regulations are adopted, interpreted or implemented in a manner that is inconsistent with our current business practices related to user-generated content and that requires changes to these practices or the design of our platform or solutions. For example, laws relating to the liability of providers of online services for activities of their users and other third parties are currently being tested by a number of claims against third parties, including actions based on invasion of privacy and other torts, unfair competition, copyright and trademark infringement and other theories based on the nature and content of the materials searched, the ads posted or the content provided by users. If immunities currently afforded to websites that publish user-generated

content are limited, we may be compelled to remove content from our platform that we would otherwise publish or restrict the types of businesses that we can promote digital offer content for, among other changes. Such changes in law could increase our operating costs and make it more difficult for consumers to use our platform, resulting in less consumer traffic and net revenues, and our business and operating results could suffer.

The growth of e-commerce and m-commerce in the U.S. could suffer if the federal government implements new regulations that obligate retailers, or permit states to obligate retailers, to collect sales taxes from consumers on certain e-commerce or m-commerce transactions, which would adversely affect our growth.

Legislation introduced in the 113th Congress in 2013, including H.R. 684 and S. 336, and approved by the U.S. Senate in May 2013, would grant states the authority to require out-of-state retailers to collect and remit sales taxes. The adoption of remote sales tax collection legislation would result in the imposition of sales taxes and additional costs associated with complex sales tax collection, remittance and audit compliance requirements on many of our retailers, which would make selling online or through mobile applications less attractive for these retailers. Additionally, the introduction of new or increased taxes applicable to online transactions could make online purchases less attractive to consumers relative to in-store retail purchases. These changes could substantially impair the growth of e-commerce and m-commerce in the U.S., and could diminish our opportunity to derive financial benefit from our activities in the U.S.

We may be sued by third parties for infringement or other violation of their intellectual property or proprietary rights.

Internet, advertising and e-commerce companies frequently are subject to litigation based on allegations of infringement, misappropriation, dilution or other violations of intellectual property rights. Some Internet, advertising and e-commerce companies, including some of our competitors, own large numbers of patents, copyrights, trademarks and trade secrets, which they may use to assert claims against us.

Third parties have asserted, and may in the future assert, that we have infringed, misappropriated or otherwise violated their intellectual property rights.

For instance, the use of our technology to provide our solutions could be challenged by claims that such use infringes, dilutes, misappropriates or otherwise violates the intellectual property rights of a third party. In addition, we may face claims that content published or made available through our websites or mobile applications violates third-party intellectual property rights. For example, retailers and other third parties frequently have complained that their trademarks, copyrights or other intellectual property are being used on our websites without their permission and in violation of their rights or in violation of laws or regulations.

As we face increasing competition and as a public company, the possibility of intellectual property rights claims against us grows. Such claims and litigation may involve patent holding companies or other adverse intellectual property rights holders who have no relevant product revenue, and therefore our own pending patents and other intellectual property rights may provide little or no deterrence to these rights holders in bringing intellectual property rights claims against us. There may be intellectual property rights held by others, including issued or pending patents and trademarks, that cover significant aspects of our technologies, content, branding or business methods, and we cannot assure that we are not infringing or violating, and have not violated or infringed, any third-party intellectual property rights or that we will not be held to have done so or be accused of doing so in the future.

Any claim that we have violated intellectual property or other proprietary rights of third parties, with or without merit, and whether or not settled out of court or determined in our favor, could be time-consuming and costly to address and resolve, and could divert the time and attention of management and technical personnel from our business. Furthermore, an adverse outcome of a dispute may result in an injunction and could require us

to pay substantial monetary damages, including treble damages and attorneys' fees, if we are found to have willfully infringed a party's intellectual property rights. Any settlement or adverse judgment resulting from such a claim could require us to enter into a licensing agreement to continue using the technology, content or other intellectual property that is the subject of the claim; restrict or prohibit our use of such technology, content or other intellectual property; require us to expend significant resources to redesign our technology or solutions; and require us to indemnify third parties. Royalty or licensing agreements, if required or desirable, may be unavailable on terms acceptable to us, or at all, and may require significant royalty payments and other expenditures. There also can be no assurance that we would be able to develop or license suitable alternative technology, content or other intellectual property to permit us to continue offering the affected technology, content or services to our customers. Any of these events could harm our business, operating results and financial condition.

Failure to protect or enforce our intellectual property rights could harm our business and results of operations.

We pursue the registration of our patentable technology, domain names, trademarks and service marks in the U.S. and in certain jurisdictions abroad. We also strive to protect our intellectual property rights by relying on federal, state and common law rights, as well as contractual restrictions. We typically enter into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with parties with whom we conduct business in order to limit access to, and disclosure and use of, our proprietary information. However, we may not be successful in executing these agreements with every party who has access to our confidential information or contributes to the development of our technology or intellectual property rights. Those agreements that we do execute may be breached, and we may not have adequate remedies for any such breach. These contractual arrangements and the other steps we have taken to protect our intellectual property rights may not prevent the misappropriation or disclosure of our proprietary information nor deter independent development of similar technology or intellectual property by others.

Effective trade secret, patent, copyright, trademark and domain name protection is expensive to obtain, develop and maintain, both in terms of initial and ongoing registration or prosecution requirements and expenses and the costs of defending our rights. We are seeking to protect our patentable technology, trademarks and domain names in an increasing number of jurisdictions, a process that is expensive and may not be successful or which we may not pursue in every location. We may, over time, increase our investment in protecting our intellectual property through additional patent filings that could be expensive and time-consuming. We have two patents issued and 59 pending patent applications, including nine provisional applications. We do not know whether any of our pending patent applications will result in the issuance of additional patents or whether the examination process will require us to narrow our claims or we may otherwise be unable to obtain patent protection for the technology covered in our pending patent applications. Our patents, trademarks and other intellectual property rights may be challenged by others or invalidated through administrative process or litigation. Moreover, any issued patents may not provide us with a competitive advantage and, as with any technology, competitors may be able to develop similar or superior technologies to our own, now or in the future.

Additionally, in the U.S., the central provisions of the Leahy-Smith America Invents Act became effective recently. Among other things, this law switched U.S. patent rights from the former "first-to-invent" system to a "first inventor-to-file" system. This may result in inventors and companies having to file patent applications more frequently to preserve rights in their inventions. This may favor larger competitors that have the resources to file more patent applications.

Monitoring unauthorized use of the content on our websites and mobile applications, and our other intellectual property and technology, is difficult and costly. Our efforts to protect our proprietary rights and intellectual property may not have been and may not be adequate to prevent their misappropriation or misuse. Third parties from time to time copy content or other intellectual property or technology from our solutions

without authorization and seek to use it for their own benefit. We generally seek to address such unauthorized copying or use, but we have not always been successful in stopping all unauthorized use of our content or other intellectual property or technology, and may not be successful in doing so in the future. Further, we may not have been and may not be able to detect unauthorized use of our technology or intellectual property, or to take appropriate steps to enforce our intellectual property rights. Our competitors may also independently develop similar technology. Effective patent, trademark, copyright and trade secret protection may not be available to us in every country in which our solutions or technology are hosted or available. The laws of some foreign countries may not be as protective of intellectual property rights as those in the U.S., and mechanisms for enforcement of intellectual property rights may be inadequate. Further, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. The laws in the U.S. and elsewhere change rapidly, and any future changes could adversely affect us and our intellectual property. Our failure to meaningfully protect our intellectual property rights could result in competitors offering solutions that incorporate our most technologically advanced features, which could reduce demand for our solutions.

We may find it necessary or appropriate to initiate claims or litigation to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of intellectual property rights claimed by others. Litigation is inherently uncertain and any litigation of this nature, regardless of outcome or merit, could result in substantial costs and diversion of management and technical resources, any of which could adversely affect our business and operating results. If we fail to maintain, protect and enhance our intellectual property, our business and operating results may be harmed.

We may be unable to continue the use of our domain names, or prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of our brands, trademarks or service marks.

We have registered domain names for our websites that we use in our business. If we lose the ability to use a domain name, whether due to trademark claims, failure to renew the applicable registration, or any other cause, we may be forced to market our solutions under a new domain name, which could cause us substantial harm, or to incur significant expense in order to purchase rights to the domain name in question. In addition, our competitors and others could attempt to capitalize on our brand recognition by using domain names similar to ours. Domain names similar to ours have been registered in the U.S. and elsewhere. We may be unable to prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of our brands, trademarks or service marks. Protecting and enforcing our rights in our domain names may require litigation, which could result in substantial costs and diversion of management's attention.

ICANN (the Internet Corporation for Assigned Names and Numbers), the international authority over top-level domain names, recently increased the number of generic top-level domains, or "TLDs." This may allow companies or individuals to create new web addresses that appear to the right of the "dot" in a web address, beyond such long-standing TLDs as ".com," ".org" and ".gov." ICANN may also add additional TLDs in the future. As a result, we may be unable to maintain exclusive rights to all potentially relevant or desirable domain names in the United States or in other countries in which we operate, which may harm our business. Furthermore, attempts may be made by third parties to register our trademarks as new TLDs or as domain names within new TLDs, and we may be required to enforce our rights against such registration attempts, which could result in significant expense and the diversion of management's attention.

The consumer traffic to our websites and mobile applications may decline and our business may suffer if other companies copy information from our platform and publish or aggregate it with other information for their own benefit.

From time to time, other companies copy information or content from our platform, through website scraping, robots or other means, and publish or aggregate it with other information for their own benefit. When third parties copy, publish or aggregate content from our platform, it makes them more competitive, and decreases the likelihood that consumers will visit our websites or use our mobile applications to search and

discover the information they seek, which could negatively affect our business, results of operations and financial condition. We may not be able to detect such third-party conduct in a timely manner or at all and, even if we are able to identify these situations, we may not be able to prevent them and have not always been able to prevent them in the past. In some cases, particularly in the case of websites operating outside of the U.S., our available remedies may be inadequate to protect us against such practices. In addition, we may be required to expend significant financial or other resources to successfully enforce our rights.

Indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement, violation of law and other losses.

Our agreements with retailers, performance marketing networks and other third parties may include indemnification provisions under which we agree to indemnify them for losses suffered or incurred as a result of claims of intellectual property infringement, sales taxes due as a result of our activities within a state or other liabilities relating to or arising from our products, services or other contractual obligations, including noncompliance with any laws, regulations, self-regulatory requirements or other legal obligations relating to privacy, data protection and consumer protection or any inadvertent or unauthorized use or disclosure of data that we store or handle as part of operating our business. Any such proceeding or action, and any related indemnification obligation, could hurt our reputation, force us to incur significant expenses in defense of these proceedings, distract our management, increase our costs of doing business and cause consumers and retailers to decrease their use of our marketplace, and may result in the imposition of monetary liability. The term of these indemnity provisions generally survives termination or expiration of the applicable agreement.

We rely on information technology to operate our business and maintain competitiveness, and any failure to adapt to technological developments or industry trends could harm our business.

We depend on the use of information technologies and systems. As our operations grow in size and scope, we must continuously improve and upgrade our systems and infrastructure while maintaining or improving the reliability and integrity of our infrastructure. Our future success also depends on our ability to adapt our systems and infrastructure to meet rapidly evolving consumer trends and demands while continuing to improve the performance, features and reliability of our solutions in response to competitive services and product offerings. The emergence of alternative platforms such as smartphones and tablets and the emergence of niche competitors who may be able to optimize products, services or strategies for such platforms will require new investment in technology. New developments in other areas, such as cloud computing, could also make it easier for competition to enter our markets due to lower up-front technology costs. In addition, we may not be able to maintain our existing systems or replace or introduce new technologies and systems as quickly as we would like or in a cost-effective manner.

Some of our solutions contain open source software, which may pose particular risks to our proprietary software and solutions.

We use open source software in our solutions and will use open source software in the future. Some licenses governing our use of open source software contain requirements that we make available source code for modifications or derivative works we create based upon the open source software, and that we license such modifications or derivative works under the terms of a particular open source license or other license granting third parties certain rights of further use. By the terms of certain open source licenses, we could be required to release the source code of our proprietary software, and to make our proprietary software available under open source licenses, if we combine our proprietary software with open source software in certain manners. Although we monitor our use of open source software, we cannot assure you that all open source software is reviewed prior to use in our solutions, that our developers have not incorporated open source software into our solutions, or that they will not do so in the future. Additionally, the terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts. There is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market or provide

our solutions. In addition, the terms of open source software licenses may require us to provide software that we develop using such open source software to others on unfavorable license terms. As a result of our current or future use of open source software, we may face claims or litigation, be required to release our proprietary source code, pay damages for breach of contract, re-engineer our solutions, discontinue making our solutions available in the event re-engineering cannot be accomplished on a timely basis or take other remedial action. Any such re-engineering or other remedial efforts could require significant additional research and development resources, and we may not be able to successfully complete any such re-engineering or other remedial efforts. Further, in addition to risks related to license requirements, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a negative effect on our business, financial condition and operating results.

We are subject to international business uncertainties that could adversely affect our operations and operating results.

Our net revenues from operations outside the U.S. comprised 21.8% of our net revenues in 2014. Currently, we operate websites marketing to residents of the U.K., France, the Netherlands, Germany and Canada. We currently have operations in the U.K., France and the Netherlands. We intend to expand our existing operations in these countries as well as potentially establish a presence in additional countries to grow our international sales. Operating in foreign countries requires significant resources and management attention, and we have limited experience entering new geographic markets. In addition, the varying commercial and Internet infrastructure in other countries may make it difficult for us to replicate our business model. In many countries, we compete with local companies that have more experience in their respective markets than we do, and we may not benefit from first-to-market advantages. To achieve widespread acceptance in new countries and markets, we must continue to tailor our solutions and business model to the unique circumstances of such countries and markets, which can be difficult and costly. Failure to adapt practices and models effectively to each country into which we expand could slow our international growth. We cannot assure you that our international efforts will be successful. International sales and operations may be subject to risks such as:

- competition with local or foreign companies entering the same markets;
- the suitability, compatibility and successful implementation of the shared information technology infrastructure that we are developing to power our marketplace in certain of our international markets;
- the cost and resources required to localize our solutions, while maintaining retailer and consumer satisfaction such that our marketplace will continue to attract high quality retailers;
- difficulties in staffing and managing foreign operations due to distance, time zones, language and cultural differences;
- higher product return rates;
- burdens of complying with a wide variety of laws and regulations, including regulation of digital offer terms, Internet services, privacy and data protection, bulk emailing and anti-competition regulations, which may limit or prevent us from offering of our solutions in some jurisdictions or limit our ability to enforce contractual obligations;
- adverse tax effects and foreign exchange controls making it difficult to repatriate earnings and cash;
- political and economic instability;
- terrorist activities and natural disasters;
- differing employment practices and laws and labor disruptions;
- technology compatibility;

- credit risk and higher levels of payment fraud;
- increased financial accounting and reporting burdens and complexities and difficulties in implementing and maintaining adequate internal controls;
- slower adoption of the Internet as an advertising, broadcast and commerce medium in certain of those markets as compared to the U.S.;
- lower levels of consumer spending and fewer opportunities for growth compared to the U.S.;
- preference for local vendors; and
- different or lesser degrees of intellectual property protection.

In addition, the U.S. has in the past proposed, and is currently evaluating, changes to the corporate tax structure that would include taxation of offshore earnings of U.S. businesses. If this were to occur, our effective tax rates would likely increase. Further, we are subject to U.S. and foreign legislation, such as the Foreign Corrupt Practices Act and the U.K. Bribery Act. While we maintain high standards of ethical conduct, our policies, training and monitoring of compliance with applicable anti-corruption laws are at an early stage of development. If any of our employees or agents were to violate these laws in the conduct of our business, we could be subject to substantial penalties and our reputation could be impaired.

These factors could have an adverse effect on our net revenues from advertisers located outside the U.S. and, consequently, on our business and operating results.

We may be unable to identify suitable candidates for strategic transactions, effectively integrate newly acquired businesses or technology, or achieve expected operating results from acquisitions or other strategic transactions.

Part of our growth strategy is to increase our net revenues and improve our operating results through the acquisition of, or entry into other strategic transactions such as joint ventures or partnerships with, similar or complementary businesses. There can be no assurance that suitable candidates for acquisitions or other strategic transactions will be identified or, if suitable candidates are identified, that strategic transactions can be completed on acceptable terms, if at all.

Since our inception, we have completed more than 10 acquisitions and numerous other strategic transactions, and we may continue to make acquisitions or other strategic transactions such as joint ventures or partnerships in the future. Our success will depend in part on our ability to identify, negotiate, and complete strategic transactions and integrate acquired businesses or technology and, if necessary, satisfactory debt or equity financing to fund those transactions. As is the case with our current debt facility, if we finance a strategic transaction with debt financing, we will incur interest expense and may have to comply with financing covenants or secure the debt obligations with our assets. Mergers and acquisitions and other strategic transactions are inherently risky, and any transactions we complete may not be successful. Any strategic transactions we undertake in the future would involve numerous risks, any of which could have a material adverse effect on our business and the market price of our common stock, including the following:

- use of cash resources and incurrence of debt and contingent liabilities in funding strategic transactions, which may limit our operational flexibility and other potential uses of our cash, including stock repurchases, dividend payments and retirement of outstanding indebtedness;
- expected and unexpected costs incurred in identifying and pursuing strategic transactions and performing due diligence regarding potential strategic transactions that may or may not be successful;
- failure of the acquired company to achieve anticipated consumer traffic, revenue, earnings, cash flows or other desired technological goals;
- our responsibility for the liabilities of the businesses we acquire, including the assumption of liabilities that were not disclosed to us or that exceed our estimates;

- difficulties in integrating and managing the combined operations, technologies and solutions;
- failure to identify all of the problems, liabilities or other shortcomings or challenges of a counterparty to a strategic transaction or an acquired company, including issues related to intellectual property, solution quality or architecture, regulatory compliance practices, revenue recognition or other accounting practices or employee or customer issues;
- diversion of management's attention or other resources from our existing business;
- inability to maintain the key business relationships and the reputations of the businesses we acquire;
- difficulties in assigning or transferring technology or intellectual property licensed by acquired companies from third parties to us or our subsidiaries;
- uncertainty of entry into markets in which we have limited or no prior experience or in which competitors have stronger market positions;
- our dependence on unfamiliar retailers or performance marketing networks of the companies we acquire;
- insufficient incremental revenue to offset our increased expenses associated with strategic transactions;
- our inability to maintain internal standards, controls, procedures and policies;
- challenges in integrating and auditing the financial statements of acquired companies that have not historically prepared financial statements in accordance with U.S. generally accepted accounting principles;
- impairment of goodwill or other intangible assets such as trademarks or other intellectual property arising from acquisitions;
- amortization of expenses related to acquired intangible assets and other adverse accounting consequences;
- potential loss of key employees from the companies we acquire, as has occurred after previous acquisitions;
- dilution of our stockholders' ownership interests if we finance all or a portion of the purchase price of any strategic transactions by issuing equity; and
- litigation or other claims from the counterparty to the strategic transaction, including claims from former stockholders, claims related to intellectual property infringement or other matters or various commercial or tort claims.

Further, we rely heavily on the representations and warranties provided to us by counterparties to strategic transactions, including the sellers of acquired companies and assets, including as they relate to creation of, ownership of and rights in intellectual property, existence of open source code, existence of encumbrances and operating restrictions and compliance with laws and contractual requirements. If any of these representations and warranties are inaccurate or breached, such inaccuracy or breach could result in costly litigation and assessment of liability for which there may not be adequate recourse against such sellers, in part due to contractual time limitations and limitations of liability.

We may need additional capital in the future, which may not be available to us on favorable terms, or at all, and may dilute your ownership of our Series 1 common stock.

As of January 1, 2015, we have an aggregate of 81,840,475 shares of Series 1 common stock authorized but unissued and not reserved for issuance under our stock option plans or otherwise. We may issue all of these shares without any action or approval by our stockholders, subject to certain limitations of the NASDAQ Global Select Market. We may require additional capital from equity or debt financing in the future in order to take advantage of strategic opportunities, or to support our existing business. We may not be able to secure timely

additional financing on favorable terms, or at all. The terms of any additional financing may place limits on our financial and operating flexibility, including our ability to issue or repurchase equity, develop new or enhanced existing products, complete acquisitions or otherwise take advantage of business opportunities. If we raise additional funds or finance acquisitions through further issuances of equity, convertible debt securities or other securities convertible into equity, you and our other stockholders could suffer significant dilution in your percentage ownership of our company, and any new securities we issue could have rights, preferences and privileges senior to those of holders of our Series 1 common stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us, if and when we require it, our ability to grow or support our business and to respond to business challenges could be significantly limited.

If our management team or other key employees do not remain with us in the future, our business, operating results and financial condition could be adversely affected.

We have been successful in attracting a knowledgeable and talented management team and key operating personnel. Our future success depends in large part on our ability to attract and retain these employees. Our senior management team's in-depth knowledge of and deep relationships with the participants in our industry are extremely valuable to us and there can be no assurance that our senior management team will remain with us in the future. For example, in 2014, our chief financial officer resigned from his position.

Our business requires skilled technical engineering, marketing, product and sales personnel, who are in high demand and are often subject to competing offers. Competition for qualified employees is intense in our industry, and the loss of even a few qualified employees, or an inability to attract, retain and motivate additional highly skilled employees required for the planned expansion of our business, could harm our operating results and impair our ability to grow.

To attract and retain key personnel, we use various measures, including an equity incentive program and incentive bonuses for executive officers and other employees. These measures may not be enough to attract and retain the personnel we require to operate our business effectively. For example, we have a number of employees who were granted stock options that have an exercise price per share that is higher than the current fair market value. Those employees may feel they are not sufficiently incentivized to remain at our company. Conversely, we also have a number of employees who were granted stock options that have an exercise price per share that is lower than the current fair market value. If we are successful, these employees may choose to exercise their options and sell the shares, recognizing a substantial gain. As a result, it may be difficult for us to retain such employees.

Our current management team has a limited history of working together and may not be able to execute our business plan.

Certain members of our senior management team have only recently joined our management team or assumed their roles. As such, our current management team has worked together for only a limited period of time and has a limited track record of executing our business plan as a team. In addition, we expect to fill several positions in our senior management team in the current fiscal year. Accordingly, it is difficult to predict whether our management team, individually and collectively, will be effective in operating our business.

If we are unable to attract additional sales representatives, or if a significant number of our sales representatives leave us, our ability to increase our net revenues could be negatively impacted.

Our ability to expand our business will depend, in part, on our ability to attract additional sales representatives in the U.S. and in international markets. Competition for qualified sales representatives can be intense, and we may be unable to hire additional team members when we need them or at all. Any difficulties we

experience in attracting additional sales representatives could have a negative impact on our ability to expand our retailer base, increase net revenues and continue our growth.

In addition, we must retain our current retailer and brand solutions team members and our international sales representatives and properly incentivize them to obtain new retailer and brand relationships. If a significant number of our sales representatives were to leave us or join our competitors, our net revenues could be negatively impacted. In certain circumstances, we have entered into agreements with our sales representatives that contain non-compete provisions to mitigate this risk, but we may need to litigate to enforce our rights under these agreements, which could be time-consuming, expensive and ineffective. A significant increase in the turnover rate among our sales representatives could also increase our recruiting costs and decrease our operating efficiency, which could lead to a decline in our net revenues and profitability.

If we cannot maintain our corporate culture as we grow, we could lose the innovation, teamwork and focus that contribute to our business.

We believe that a critical component of our success has been our corporate culture, which we believe fosters innovation, encourages teamwork, cultivates creativity and promotes focus on execution. We have invested and continue to invest substantial time, energy and resources in building a highly collaborative team that works together effectively in an environment designed to promote openness, honesty, mutual respect and the pursuit of common goals. As we continue to develop the infrastructure of a public company and continue to grow, we may find it difficult to maintain these valuable aspects of our corporate culture and to attract competent personnel who are willing to embrace our culture. Any failure to preserve our culture could negatively impact our future success, including our ability to attract and retain personnel, encourage innovation and teamwork and effectively focus on and pursue our corporate objectives.

Our business relies in part on email and other messaging, and any technical, legal or other restrictions on the sending of emails or messages or an inability to timely deliver such communications could harm our business.

Our business is in part dependent upon email and other messaging. We provide emails and mobile alerts and other messages to consumers informing them of the offers on our websites and mobile applications, and we believe these communications help generate a portion of our net revenues. Because of the importance of email and other messaging services to our business, if we are unable to successfully deliver emails or other messages to consumers, if there are legal restrictions on delivering these messages to consumers, or if consumers do not open our emails or messages, our net revenues and profitability could be adversely affected. Changes in how webmail applications organize and prioritize email may result in our emails being delivered in a less prominent location in a consumer's inbox or viewed as "spam" by consumers and may reduce the likelihood of that consumer opening our emails. Actions by third parties to block, impose restrictions on or charge for the delivery of emails or other messages could also harm our business. From time to time, Internet service providers or other third parties may block bulk email transmissions or otherwise experience technical difficulties that result in our inability to successfully deliver emails or other messages to consumers. Changes in the laws or regulations that limit our ability to send such communications or impose additional requirements upon us in connection with sending such communications would also adversely impact our business. We also rely on social networking messaging services to send communications. Changes to the terms of these social networking services to limit promotional communications, any restrictions that would limit our ability or our customers' ability to send communications through their services, disruptions or downtime experienced by these social networking services or decline in the use of or engagement with social networking services by consumers could harm our business.

We rely on a third-party service for the delivery of daily emails, and delay or errors in the delivery of such emails or other messaging we send have occurred and may in the future occur and be beyond our control, which could result in damage to our reputation or harm our business, financial condition and operating results. If we
were unable to use our current email service or other messaging services, alternate services are available;

however, we believe our results could be impacted for some period if we transition to a new provider. Any disruption or restriction on the distribution of our emails or other messages, termination or disruption of our relationship with our messaging service providers, including our third-party service that delivers our emails, or any increase in our costs associated with our email and other messaging activities could harm our business.

The intended tax benefits of our corporate structure and intercompany arrangements depend on the application of the tax laws of various jurisdictions and on how we operate our business.

Our corporate structure and intercompany arrangements, including the manner in which we develop, value, and use our intellectual property and the transfer pricing of our intercompany transactions, are intended to reduce our worldwide effective tax rate. We completed a restructuring of our non-U.S. entities to streamline our European operations, effective January 1, 2014, and we may implement other such structures and arrangements in the future. The application of the tax laws of various jurisdictions, including the U.S., to our international business activities is subject to interpretation and depends on our ability to operate our business in a manner consistent with our corporate structure and intercompany arrangements. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for valuing developed technology or intercompany arrangements, including our transfer pricing, or determine that the manner in which we operate our business does not achieve the intended tax consequences, which could increase our worldwide effective tax rate and harm our financial position and results of operations.

Our corporate structure includes legal entities located in jurisdictions with income tax rates lower than the U.S. statutory tax rate. Our intercompany arrangements allocate income to such entities in accordance with arm's-length principles and commensurate with functions performed, risks assumed and ownership of valuable corporate assets. We believe that income taxed in certain foreign jurisdictions at a lower rate relative to the U.S. statutory rate will have a beneficial impact on our worldwide effective tax rate.

Significant judgment is required in evaluating our tax positions and determining our provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. For example, our effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates and higher than anticipated in countries where we have higher statutory rates, by changes in foreign currency exchange rates or by changes in the relevant tax, accounting and other laws, regulations, principles and interpretations. As we operate in numerous taxing jurisdictions, the application of tax laws can be subject to diverging and sometimes conflicting interpretations by tax authorities of these jurisdictions. It is not uncommon for taxing authorities in different countries to have conflicting views, for instance, with respect to, among other things, the manner in which the arm's length standard is applied for transfer pricing purposes, or with respect to the valuation of intellectual property. In addition, tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied.

Our existing corporate structure and intercompany arrangements have been implemented in a manner we believe is in compliance with current prevailing tax laws. However, the tax benefits which we intend to derive from our current and any future intercompany transactions could be undermined if we are unable to adapt the manner in which we operate our business and if tax laws change.

The enactment of legislation implementing changes in the U.S. taxation of international business activities or the adoption of other tax reform policies, within the U.S. or internationally, could materially impact our financial condition and results of operations.

The current administration has made public statements indicating that it has made international tax reform a priority, and key members of the U.S. Congress have conducted hearings and proposed new legislation. Recent changes to U.S. tax laws, including limitations on the ability of taxpayers to claim and utilize foreign tax credits and the deferral of certain tax deductions until earnings outside of the U.S. are repatriated to the U.S., as well as changes to U.S. tax laws that may be enacted in the future, could impact the tax treatment of our foreign

earnings, as well as cash and cash equivalent balances we currently maintain outside of the U.S. We are also subject to the taxation regimes of numerous foreign jurisdictions where our subsidiaries are organized or operate. Due to economic and political conditions, tax rates and policies in the U.S. or internationally may be subject to significant change, and as a result of the expanding scale of our international business activities, any changes in the U.S. or foreign taxation of such activities may increase our worldwide effective tax rate and harm our financial condition and results of operations.

We rely on performance marketing networks and retailers to determine the amount payable to us accurately. If their reports are inaccurate or delayed, our operating results could be harmed and we could experience fluctuations in our performance.

Our performance marketing networks and retailers typically pay us on a monthly basis based upon sales generated from digital offers. We rely on our performance marketing networks and retailers to report accurately and in a timely manner the amount of commission revenues earned by us. We calculate our net revenues, prepare our financial reports, projections and budgets and direct our advertising, marketing and other operating efforts based on reports we receive from our performance marketing networks and retailers. It is difficult for us to determine independently whether our performance marketing networks or retailers are reporting all revenue data due to us. We have occasionally experienced instances of incomplete or delayed reports from our performance marketing networks and retailers, and we generally do not have the contractual right to audit our performance marketing networks or retailers. We have also experienced instances where payments may not be made by retailers through performance marketing networks, which can increase the likelihood that accounts receivable will be written off as uncollectible. To the extent that our performance marketing networks or retailers fail to report accurately the amount of net revenues payable to us in a timely manner or at all, we will not recognize and collect net revenues to which we are entitled, which could harm our operating results. If we are allowed to audit a performance marketing network or retailer and do so, or if we otherwise dispute the accuracy of a revenue report a performance marketing network or retailer has delivered to us, our recognition of net revenues to which we may ultimately be entitled could be delayed. Conversely, if a performance marketing network or retailer delivers a report overstating the amount of net revenues earned by us in one period and attempts to reverse the overpayment in a subsequent period, whether by seeking a refund from us or reducing a future payment due to us, our recognition of revenue could be overstated. Any such delay or overstatement in our revenue recognition could harm our business and operating results.

We obtain the revenue reporting information from our performance marketing networks using a variety of methods, including the use of file transfer protocol file feeds, various application programming interfaces provided by the performance marketing networks and manual downloads of data from the performance marketing networks' web portals. The use of any of these methods, in isolation, inherently subjects us to lower levels of internal control over revenue data, which could result in a misstatement of our net revenues. We have automated the process for collecting a substantial portion of the data necessary to record our net revenues. We currently augment this automated data collection process with manual validation of data from certain of the performance marketing networks' web portals to help minimize risk of error. However, our validation methods may evolve over time. We cannot guarantee our ability to detect all errors in the data obtained automatically, which could affect our ability to accurately report our net revenues.

If we are unable to comply with all covenants of our current and future debt arrangements, and if our lenders fail to waive any violation of those covenants by us, we could be subject to substantial penalties, which would impair our ability to operate and adversely affect our operating results.

We currently have a term debt facility that provides us with cash, which we use to fund our operations and which requires us to comply with a number of restrictive covenants. We may enter into other debt arrangements in the future, which may contain similar or additional restrictive covenants. We are currently subject to covenants related to minimum trailing twelve-month EBITDA levels, a total debt to EBITDA ratio, a senior secured debt to EBITDA ratio, and a fixed charge coverage ratio (each as more fully described in our second amended and

restated revolving credit and term loan agreement), and the defense of our intellectual and other property, among others. We may become subject to additional covenants in connection with future debt arrangements. If we are unable to comply with one or more covenants applicable to us and our lenders are unwilling to waive our noncompliance, our lenders may have the right to terminate their commitments to lend to us, cause all amounts outstanding to become due and payable immediately, sell certain of our assets which are collateral for our obligations upon the satisfaction of certain conditions and take other measures which may impair our operations. If funds under our loan arrangements become unavailable or if we are forced unexpectedly to repay amounts outstanding under our loan arrangements, our assets and cash flow may be insufficient to make such repayments or may leave us with insufficient funds to continue our operations as planned and would have a material adverse effect on our business.

We are subject to currency exchange risk in connection with our international business operations and are exposed to interest rate risk.

Cash inflows and outflows in our international operations are typically denominated in currencies other than the U.S. dollar, which is our functional currency for financial reporting purposes. For 2014, 2013, and 2012 approximately 21.8%, 20.6% and 17.1%, respectively, of our net revenues were denominated in such foreign currencies. In addition, certain intercompany indebtedness between us and a foreign subsidiary, which uses the Euro as its functional currency, is dollar denominated. Our reliance on and exposure to foreign currencies subjects our financial results to fluctuations in currency exchange rates and changes in the proportion of our net revenues and expenses attributable to each of our foreign locations. For example, we recognized a foreign exchange loss of $0.9 million and a foreign exchange gain of $0.7 million in 2014 and 2013, respectively. In addition, we expect our exposure to fluctuations in foreign exchange rates to increase as we expand our business in existing and new international markets and when the exchange rates strengthen or weaken against the U.S. dollar. We began entering into hedging arrangements related to our intercompany indebtedness in December 2014, and we expect to continue to enter into hedging arrangements in the future in order to manage our exposure to foreign currency fluctuations, but such activity may not completely eliminate fluctuations in our operating results. Foreign currency exchange rate fluctuations adversely impacted our profitability in 2014 and may continue to do so in the future.

In addition, we face exposure to fluctuations in interest rates for amounts outstanding under our credit facility, which may increase our borrowing costs, adversely impacting our profitability.

We may be required to record a significant charge to earnings if our goodwill or amortizable intangible assets become impaired.

We are required under GAAP to review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or any other significant adverse change that would indicate that the carrying amount of an asset or group of assets may not be recoverable. The events and circumstances we consider include the business climate, legal factors, operating performance indicators and competition. We may be required to record a significant charge to earnings in our consolidated financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined. This could adversely impact our results of operations.

Risks Related to Ownership of Our Common Stock

Our stock price is highly volatile.

The trading price of our common stock has been, and is likely to continue to be, highly volatile. Since shares of our common stock were sold in our initial public offering in July 2013 at a price of $21.00 per share, the reported high and low sales prices of our Series 1 common stock has ranged from $13.29 to $48.73 per share through December 31, 2014. The trading price of our stock has been and is likely to continue to be subject to wide fluctuations in response to various factors, including the risk factors described in this section and elsewhere in this Annual Report on Form 10-K, and other factors beyond our control. Factors affecting the trading price of our common stock include:

- variations in our operating results or the operating results of similar companies;
- announcements of technological innovations, new services or service enhancements and strategic alliances or agreements by us or by our competitors;
- periodic changes to search engine algorithms that lead to actual or perceived decreases in traffic to our websites;
- marketing and advertising initiatives by us or our competitors;
- the gain or loss of retailer relationships;
- threatened or actual litigation;
- major changes in our management;
- recruitment or departure of key personnel;
- changes in the estimates of our operating results or changes in recommendations by any securities analysts that follow our Series 1 common stock;
- market conditions in our industry, the industries of our customers and the economy as a whole;
- the overall performance of the equity markets;
- sales of shares of our Series 1 common stock by existing stockholders, including our directors and executive officers and their affiliates;
- our share repurchase program;
- volatility in our stock price, which may lead to higher stock-based compensation expense under applicable accounting standards;
- reaction to our press releases or other public announcements and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- raising additional capital from any equity or debt financing in the future; and
- adoption or modification of regulations, policies, procedures or programs applicable to our business

In addition, the stock market in general and the market for e-commerce companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors may harm the market price of our Series 1 common stock regardless of our actual operating performance. Each of these factors, among others, could adversely affect your investment in our Series 1 common stock. Some companies that have had volatile market prices for their securities have had securities class action lawsuits filed against them. If a suit were filed against us, regardless of its merits or outcome, it could result in substantial costs and divert management's attention.

Insiders have substantial control over us, and this control may limit our stockholders' ability to influence corporate matters and delay or prevent a third party from acquiring control over us.

As of January 31, 2015, our directors and executive officers and their affiliates beneficially owned, in the aggregate, approximately 30.4% of our outstanding Series 1 common stock. This concentration of ownership may adversely affect the trading price for our Series 1 common stock because investors often perceive disadvantages in owning stock in companies with concentrated ownership. In addition, these stockholders will be able to exercise influence over all matters requiring stockholder approval, including the election of directors and approval of corporate transactions, such as a merger or other sale of our company or its assets. This concentration of ownership could limit your ability to influence corporate matters and may have the effect of delaying or preventing a change in control, including a merger, consolidation or other business combination involving us, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control, even if that change in control would benefit our other stockholders.

Our stock price could decline due to the large number of outstanding shares of our common stock eligible for future sale.

Sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could cause the market price of our common stock to decline. These sales could also make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

As of December 31, 2014 we had 54,253,452 shares of common stock outstanding. Shares beneficially owned by our affiliates and employees are subject to volume and other restrictions under Rules 144 and 701 under the Securities Act of 1933, as amended, or the Securities Act, various vesting agreements, our insider trading policy and any applicable 10b5-1 trading plan.

In addition, we have registered 12,896,037 shares of Series 1 common stock that we have issued and may issue under our equity plans (1,746,668 shares of which were issued and outstanding as of December 31, 2014), and intend to register an additional 2,712,646 shares of Series 1 common stock that were added to our equity plans in January 2015 by virtue of those plans' evergreen provisions. These shares can be freely sold in the public market upon issuance, subject in some cases to volume and other restrictions under Rules 144 and 701 under the Securities Act, and various vesting agreements. In addition, some of our employees, including some of our named executive officers, have entered into 10b5-1 trading plans regarding sales of shares of our Series 1 common stock. If any of these additional shares are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline.

As of January 31, 2015, holders of approximately 27.5% of our common stock were entitled to rights with respect to the registration of these shares under the Securities Act. If we register their shares of common stock, these stockholders could sell those shares in the public market without being subject to the volume and other restrictions of Rule 144 and Rule 701.

Our responsibilities as a public company may cause us to incur significant costs, divert management's attention and affect our ability to attract and retain qualified board members and executives.

We are subject to the reporting requirements of the Securities Exchange Act of 1934, the Sarbanes-Oxley Act, including the requirements of Section 404, as well as rules and regulations subsequently implemented by the SEC, the Public Company Accounting Oversight Board and the NASDAQ Global Select Market. Compliance with these public company requirements has made some activities more time-consuming. It has also increased our legal and financial compliance costs and demand on our systems and resources. For example, we have created new board committees and adopted new internal controls and disclosure controls and procedures. In addition, we have incurred and will continue to incur additional expenses associated with our SEC reporting requirements. Furthermore, if we identify any issues in complying with those requirements (for example, if we or

our auditors identify a material weakness or significant deficiency in our internal control over financial reporting), we could incur additional costs rectifying those issues, and the existence of those issues could adversely affect us, our reputation or investor perceptions of us. Advocacy efforts by stockholders and third parties may also prompt additional changes in governance and reporting requirements, which could further increase our costs. It also may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers.

In addition, changing laws, regulations and standards relating to public disclosure and corporate governance are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to our disclosures and to our governance practices. We have invested, and intend to continue to invest, resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention away from activities that generate revenue and help grow our business.

If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, our ability to operate our business and investors' views of us.

Ensuring that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be re-evaluated frequently. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. We recently completed the process of documenting, reviewing and improving our internal controls and procedures for compliance with Section 404 of the Sarbanes-Oxley Act, which requires annual management assessment of the effectiveness of our internal control over financial reporting. If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, harm our ability to operate our business, and reduce the trading price of our stock.

We cannot guarantee that we will repurchase our common stock pursuant to our recently announced share repurchase program or that our share repurchase program will enhance long-term stockholder value. Share repurchases could also increase the volatility of the price of our common stock and could diminish our cash reserves.

In February 2015, our Board of Directors authorized a share repurchase program. Under the program, we are authorized to repurchase shares of Series 1 common stock for an aggregate purchase price not to exceed $100 million, over the 24-month period following the program's approval by our Board.

Although the Board has authorized the share repurchase program, the share repurchase program does not obligate us to repurchase any specific dollar amount or to acquire any specific number of shares. The timing and amount of repurchases, if any, will depend upon several factors, including market and business conditions, the trading price of our Series 1 common stock and the nature of other investment opportunities. The repurchase program may be limited, suspended or discontinued at any time without prior notice. In addition, repurchases of our Series 1 common stock pursuant to our share repurchase program could affect the market price of our Series 1 common stock or increase its volatility. For example, the existence of a share repurchase program could cause our stock price to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our stock. Additionally, our share repurchase program could diminish our cash reserves, which may impact our ability to finance future growth and to pursue possible future strategic opportunities and acquisitions.

There can be no assurance that any share repurchases will enhance stockholder value because the market price of our Series 1 common stock may decline below the levels at which we repurchase shares of stock. Although our share repurchase program is intended to enhance long-term stockholder value, there is no assurance that it will do so and short-term stock price fluctuations could reduce the program's effectiveness.

If securities or industry analysts do not continue to publish research or publish unfavorable or misleading research about our business, our stock price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who covers us downgrades our stock or publishes unfavorable or misleading research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, we could lose visibility in the market for our stock and demand for our stock could decrease, which could cause our stock price or trading volume to decline.

Anti-takeover provisions in our charter documents and Delaware law could discourage, delay or prevent a change in control of our company and may affect the trading price of our Series 1 common stock.

We are a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law, which apply to us, may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the stockholder becomes an interested stockholder, even if a change in control would be beneficial to our existing stockholders. In addition, our certificate of incorporation and bylaws may discourage, delay or prevent a change in our management or control over us that stockholders may consider favorable. Our certificate of incorporation and bylaws:

- authorize the issuance of "blank check" preferred stock that could be issued by our board of directors to defend against a takeover attempt;
- establish a classified board of directors, as a result of which the successors to the directors whose terms have expired will be elected to serve from the time of election and qualification until the third annual meeting following their election;
- require that directors only be removed from office for cause and only upon a supermajority stockholder vote;
- provide that vacancies on the board of directors, including newly created directorships, may be filled only by a majority vote of directors then in office rather than by stockholders;
- prevent stockholders from calling special meetings; and
- prohibit stockholder action by written consent, requiring all actions to be taken at a meeting of the stockholders.

We currently do not intend to pay dividends on our common stock and, consequently, your only opportunity to achieve a return on your investment is if the price of our Series 1 common stock appreciates.

We currently do not plan to declare dividends on shares of our common stock in the foreseeable future. Any payment of future dividends will be at the discretion of our board of directors, subject to compliance with certain covenants contained in our credit facility, which limit our ability to pay dividends, and will depend on our financial condition, results of operations, capital requirements, general business conditions, and other factors that our board of directors may deem relevant. Consequently, your only opportunity to achieve a return on your investment in our company will be if the market price of our Series 1 common stock appreciates and you sell your shares at a profit.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our principal executive offices are located in Austin, Texas, where we lease approximately 95,537 square feet of office space under a lease that expires on July 31, 2020. We also lease office space in Hoboken, New Jersey; London, England; Paris, France; Vannes, France; and Amsterdam, the Netherlands. Our primary data centers are located in Virginia and California. We believe our current and planned office facilities and data center space will be adequate for our needs for the foreseeable future.

For additional information regarding obligations under operating leases, see Note 8 of the Notes to Consolidated Financial Statements included in Part II, Item 8: "Financial Statements" of this Annual Report on Form 10-K.

Item 3. Legal Proceedings.

From time to time, we may become involved in litigation related to claims arising from the ordinary course of our business. We believe that there are no claims or actions pending or threatened against us, the ultimate disposition of which would have a material adverse effect on us.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our Series 1 common stock has been listed on the NASDAQ Global Select Market under the symbol "SALE" since July 19, 2013. Prior to that date, there was no public trading market for our Series 1 common stock. Our Series 1 common stock priced at $21.00 per share in our initial public offering on July 18, 2013. The following table sets forth for the periods indicated the high and low intra-day sale prices per share of our Series 1 common stock as reported on the NASDAQ Global Select Market:

	Low	High
Year Ended December 31, 2014		
Fourth Quarter	$13.29	$21.50
Third Quarter	$16.13	$26.99
Second Quarter	$22.45	$35.74
First Quarter	$28.01	$48.73

	Low	High
Year Ended December 31, 2013		
Fourth Quarter	$25.51	$36.30
Third Quarter (from July 19, 2014)	$26.12	$39.50

On January 31, 2015, the last reported sale price of our Series 1 common stock on the NASDAQ Global Select Market was $15.53 per share, and there were 18 holders of record of our Series 1 common stock. The actual number of holders of Series 1 common stock is greater than these numbers of record holders and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and nominees. The number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

Use of Proceeds from Initial Public Offering and Follow-on Offering of Common Stock

On July 24, 2013, we closed our initial public offering, or IPO, of 10,454,544 shares of Series 1 common stock, at a price of $21.00 per share, before underwriting discounts and commissions. We sold 4,545,454 of such shares and existing stockholders sold an aggregate of 5,909,090 of such shares, including 1,363,636 shares sold by selling stockholders as a result of the underwriters' exercise of their over-allotment option to purchase additional shares. The IPO generated net proceeds to us of approximately $85.4 million, after deducting underwriting discounts and commissions. Expenses incurred by us for the IPO were approximately $3.4 million and were recorded against the proceeds received from the IPO. We did not receive any proceeds from the sale of shares by the selling stockholders in the IPO.

On December 16, 2013, we closed our follow-on public offering of 7,207,207 shares of Series 1 common stock, at a price of $26.00 per share before underwriting discounts and commissions. We sold 2,000,000 of such shares and existing stockholders sold an aggregate of 5,207,207 of such shares, including 940,070 shares sold by selling stockholders as a result of the underwriters' exercise of their option to purchase additional shares. The follow-on public offering generated net proceeds to us of $49.1 million, after deducting underwriting discounts and commissions. Expenses incurred by us for the follow-on offerings were approximately $0.6 million and were recorded against the proceeds received from the follow-on public offering. We did not receive any proceeds from the sale of shares by the selling stockholders in the follow-on public offering.

With the net proceeds of our IPO and our follow-on public offering, we (i) paid in full accumulated dividends on our previously outstanding shares of preferred stock, which totaled approximately $52.5 million, (ii) repaid the outstanding principal and accrued interest on seller notes issued in connection with our acquisition

of eConversions Limited in 2011, which totaled approximately $6.6 million, (iii) acquired YSL Ventures, Inc. in October 2013 for approximately $11.6 million in cash consideration and entered into deferred compensation arrangements with the former owners of YSL Ventures, Inc., which totaled approximately $6.2 million, (iv) repaid $1.75 million of our senior debt in each of October 2013, January 2014, April 2014, July 2014 and October 2014, (v) acquired certain website domains in August 2014, which totaled approximately $3.3 million, (vi) repaid the outstanding principal and accrued interest on seller notes issued in conjunction with our acquisition of Bons-de-Reduction.com and Poulpeo.com in 2012, which totaled approximately $1.8 million, (vii) repaid the outstanding principal and accrued interest on seller notes issued in conjunction with our acquisition of Actiepagina.nl in 2013, which totaled approximately $1.2 million and (viii) repaid the outstanding principal and accrued interest on seller notes issued in conjunction with our acquisition of Ma-Reduc.com in 2013, which totaled approximately $5.3 million.

There have been no material changes in the planned use of proceeds from our initial public offering and our follow-on offering from that described in our final prospectuses filed with the SEC pursuant to Rule 424(b).

Dividend Policy

We have never declared or paid any cash dividends on our common stock. Neither Delaware law nor our amended and restated certificate of incorporation requires our board of directors to declare dividends on our common stock. Any future determination to declare cash dividends on our common stock will be made at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors may deem relevant. We do not anticipate paying cash dividends on our common stock for the foreseeable future.

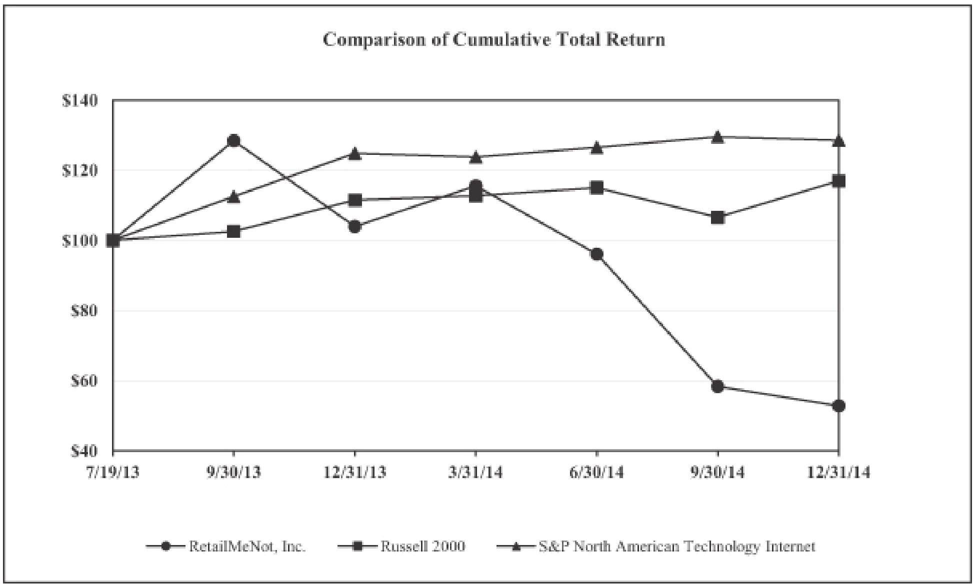
Equity Compensation Plan Information

Information regarding the securities authorized for issuance under our equity compensation plans will be included in our Proxy Statement relating to our 2015 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2014, and is incorporated herein by reference.

Performance Graph

Notwithstanding any statement to the contrary in any of our filings with the SEC, the following information shall not be deemed "filed" with the SEC or "soliciting material" under the Securities Exchange Act of 1934 and shall not be incorporated by reference into any such filings irrespective of any general incorporation language contained in such filing.

The following graph compares the total cumulative stockholder return on our common stock with the total cumulative return of the Russell 2000 Index and the S&P North American Technology Internet Index during the period commencing on July 19, 2013, the initial trading day of our Series 1 common stock, and ending on December 31, 2014. The graph assumes a $100 investment at the beginning of the period in our Series 1 common stock, the stocks represented in the Russell 2000 Index and the stocks represented in the S&P North American Technology Internet Index, and reinvestment of any dividends. The S&P North American Technology Internet Index is a modified-capitalization weighted index of stocks representing the Internet industry, including Internet content and access providers, Internet software and services companies and e-commerce companies. Historical stock price performance should not be relied upon as an indication of future stock price performance.



Item 6. Selected Financial Data.

The tables on the following pages set forth the consolidated financial and operating data as of and for the periods indicated. The consolidated statements of operations data presented below for the years ended December 31, 2014, 2013 and 2012 and the consolidated balance sheet data as of December 31, 2014 and 2013 have been derived from the audited consolidated financial statements that are included in Part II, Item 8: "Financial Statements." The consolidated statements of operations data presented below for the years ended December 31, 2011 and 2010 and the consolidated balance sheet data as of December 31, 2012 and 2011 are derived from audited consolidated financial statements that are not included in this report.

We acquired the businesses of RetailMeNot.com in November 2010, VoucherCodes.co.uk in August 2011, Bons-de-Reduction.com and Poulpeo.com in May 2012, Actiepagina.nl in March 2013, Ma-Reduc.com in July 2013 and YSL Ventures in October 2013. The consolidated statements of operations, balance sheets and statements of cash flows include the results of businesses acquired from the effective date of the acquisition for accounting purposes.

The following information should be read in conjunction with our consolidated financial statements and related notes, the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the other information included elsewhere in this filing. Our historical results are not necessarily indicative of our future results.

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(in thousands, except per share amounts)				
Consolidated Statements of Operations Data:					
Net revenues	$264,683	$209,836	$144,685	$ 80,402	$ 16,862
Costs and expenses:					
Cost of net revenues	18,617	13,049	9,113	3,980	1,848
Product development	47,882	30,566	14,481	4,388	658
Sales and marketing	90,062	70,303	40,672	15,341	5,661
General and administrative	42,343	28,583	15,758	6,883	2,472
Amortization of purchased intangible assets	12,243	12,081	13,158	11,296	3,394
Other operating expenses	4,065	2,525	6,006	35	—
Total cost and expenses	215,212	157,107	99,188	41,923	14,033
Income from operations	49,471	52,729	45,497	38,479	2,829
Other income (expense):					
Interest expense, net	(1,981)	(2,980)	(3,221)	(7,784)	(930)
Fair value change of common stock warrant	—	—	—	(2,103)	—
Fair value change of contingent consideration, net	—	—	—	—	1,994
Other income (expense), net	(1,102)	672	77	(129)	(16)
Income before income taxes	46,388	50,421	42,353	28,463	3,877
Provision for income taxes	(19,423)	(18,891)	(16,360)	(11,502)	(1,533)
Net income	$ 26,965	$ 31,530	$ 25,993	$ 16,961	$ 2,344
Preferred stock dividends on participating preferred stock	—	(19,928)	(24,577)	(64,715)	(3,247)
Total undistributed earnings (loss)	26,965	11,602	1,416	(47,754)	(903)
Undistributed earnings allocated to participating preferred stock	—	(5,998)	(1,390)	—	—
Net income (loss) attributable to common stockholders	$ 26,965	$ 5,604	$ 26	$(47,754)	$ (903)
Net income (loss) per share attributable to common stockholders:					
Basic	$ 0.50	$ 0.24	$ 0.03	$ (64.19)	$ (0.32)
Diluted	$ 0.49	$ 0.23	$ 0.03	$ (64.19)	$ (0.32)
Weighted-average number of common shares used in computing net income (loss) per share:					
Basic	53,792	23,074	841	744	709
Diluted	55,311	25,742	2,277	744	709

	Year Ended December 31,			
	2014	2013	2012	2011
	(in thousands)			
Consolidated Balance Sheet Data:				
Cash and cash equivalents	$244,482	$165,881	$ 97,142	$ 88,234
Working capital	286,253	194,252	98,152	78,631
Total assets	599,104	512,082	370,920	347,326
Total liabilities	94,349	80,773	63,266	74,817
Redeemable convertible preferred stock	—	—	349,027	321,450
Total stockholders’ equity (deficit)	504,755	431,309	(41,373)	(48,941)

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(in thousands, except net revenues per visit)				
Operating Metrics (1):					
Visits	697,131	560,432	464,240	349,992	108,574
Online transaction net revenues per visit	$ 0.34	$ 0.35	$ 0.30	$ 0.22	$ 0.13
Monthly mobile unique visitors (2)	21,224	11,913	—	—	—
Other Financial Data (1):					
Online transaction net revenues	$235,279	$196,693	$139,174	$ 75,929	$ 14,604
Advertising and in-store net revenues	29,404	13,143	5,511	4,473	2,258
Net revenues	264,683	209,836	144,685	80,402	16,862
Adjusted EBITDA	93,900	81,320	70,373	51,895	6,800

(1) See Part II, Item 7: “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Financial and Operating Metrics” on page 52 for a description of these operating metrics and other financial data.

(2) We present monthly mobile unique visitors as the average monthly mobile unique visitors for the last three months of the period. Amounts for 2012, 2011 and 2010 were not meaningful.

The following table presents a reconciliation of adjusted EBITDA to net income for each of the periods indicated:

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(in thousands)				
Reconciliation of Adjusted EBITDA:					
Net income	$26,965	$31,530	$25,993	$ 16,961	$ 2,344
Depreciation and amortization expense	15,746	14,112	14,192	11,556	3,460
Stock-based compensation expense	24,518	10,507	4,048	471	68
Third party acquisition-related costs	100	1,447	630	1,354	443
Other operating expenses	4,065	2,525	6,006	35	—
Interest expense, net	1,981	2,980	3,221	7,784	930
Fair value change of common stock warrant	—	—	—	2,103	—
Fair value change of contingent consideration, net	—	—	—	—	(1,994)
Other (income) expense, net	1,102	(672)	(77)	129	16
Provision for income taxes	19,423	18,891	16,360	11,502	1,533
Adjusted EBITDA	$93,900	$81,320	$70,373	$ 51,895	$ 6,800

The following tables present depreciation and stock-based compensation expense as included in the various lines of our consolidated statements of operations:

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(in thousands)				
Depreciation Expense:					
Cost of net revenues	$ 456	$ 299	$ 99	$ 62	$ 16
Product development	1,491	818	380	74	12
Sales and marketing	1,025	603	382	84	27
General and administrative	531	311	173	40	11
Total depreciation expense	$3,503	$2,031	$1,034	$260	$ 66

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(in thousands)				
Stock-Based Compensation Expense:					
Cost of net revenues	$ 1,848	$ 704	$ 157	$ 23	$ 1
Product development	7,289	2,419	1,144	164	12
Sales and marketing	5,547	2,398	993	113	23
General and administrative	9,834	4,986	1,754	171	32
Total stock-based compensation expense	$24,518	$10,507	$4,048	$471	$ 68

Non-GAAP Financial Measures

Adjusted EBITDA

To provide investors with additional information regarding our financial results, we have disclosed in the table above and elsewhere in this filing adjusted EBITDA, a non-GAAP financial measure. We have provided a reconciliation above of adjusted EBITDA to net income, the most directly comparable GAAP financial measure.

We have included adjusted EBITDA in this filing because it is a key measure used by our management and board of directors to understand and evaluate our operating performance for the following reasons:

- our management uses adjusted EBITDA in conjunction with GAAP financial measures as part of our assessment of our business and in communications with our board of directors concerning our financial performance;
- our management and board of directors use adjusted EBITDA in establishing budgets, operational goals and as an element in determining executive compensation;
- adjusted EBITDA provides consistency and comparability with our past financial performance, facilitates period-to-period comparisons of operations that could otherwise be masked by the effect of the expenses that we exclude in this non-GAAP financial measure and facilitates comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results;
- securities analysts use a measure similar to our adjusted EBITDA as a supplemental measure to evaluate the overall operating performance and comparison of companies, and we include adjusted EBITDA in our investor and analyst presentations; and
- adjusted EBITDA excludes non-cash charges, such as depreciation, amortization and stock-based compensation, because such non-cash expenses in any specific period may not directly correlate to the underlying performance of our business operations and can vary significantly between periods.

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- adjusted EBITDA excludes stock-based compensation expense which has been, and will continue to be for the foreseeable future, a significant recurring expense in our business and is an important part of our employees' compensation;
- adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us; and
- other companies, including companies in our industry, may calculate adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, net income and our other GAAP results.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in the section titled "Risk Factors."

We operate the world's largest marketplace for digital offers, connecting consumers with leading retailers and brands. In the year ended December 31, 2014, our marketplace featured digital offers from over 70,000 retailers and brands, and according to our internal data compiled using Google Analytics, we had more than 697 million total visits to our desktop and mobile websites. During the three months ended December 31, 2014, we averaged more than 21 million monthly mobile unique visitors. As of December 31, 2014, we had contracts with more than 10,000 retailers. We own and operate the largest digital offer marketplaces in the U.S. (RetailMeNot.com) and the U.K. (VoucherCodes.co.uk) and the largest portfolio of digital offer websites in France (Bons-de-Reduction.com, Poulpeo.com and Ma-Reduc.com).

We derive a substantial majority of our net revenues from retailers or brands that pay us directly or through third-party performance marketing networks. A retailer is a merchant that sells goods or services directly to consumers. A paid retailer is a retailer or brand with which we have a contract pursuant to which it has agreed to pay us a commission for sales attributable to us using affiliate tracking links to digital offers made available in our marketplace. These contracts specify the default commission rate that a paid retailer agrees to pay us; however, we generally attempt to negotiate increases in these rates with most of our top paid retailers. In some instances, the paid retailer itself provides affiliate tracking links for attribution of sales using digital offers made available in our marketplace and pays us directly. However, in most cases, paid retailers contract with performance marketing networks to provide affiliate tracking links for attribution of sales using digital offers made available in our marketplace. These paid retailers then pay the commissions we earn to the performance marketing network, which in turn pays those commissions to us. In general, our contracts with performance marketing networks govern our use of affiliate tracking links made available to us by the performance marketing network and the remittance of any commissions payable to us from paid retailers utilizing the performance

marketing network. The performance marketing network with which a paid retailer contracts to provide affiliate tracking links provides us with the paid retailer's contract terms, which must be accepted by us and the paid retailer, and which further govern our use of affiliate tracking links for such paid retailer and payment of commissions to us. Our contracts are generally short term, meaning that they can be cancelled by any of the contracting parties on 30 days' notice or less.

In 2014, over 90% of our net revenues were derived from commissions earned when consumers made purchases using digital offers featured on our websites and mobile applications. We expect that a majority of our net revenues in the future will continue to be derived from these commissions. Commission rates are determined through negotiations with retailers based on a variety of factors, including the level of exposure to consumers in our marketplace, the quality and volume of sales realized from consumers using digital offers from our marketplace and the category of products purchased using digital offers. We sell our solutions to retailers through a direct sales force.

From 2013 to 2014 our consolidated net revenues grew from $209.8 million to $264.7 million. Net income for 2014 was $27.0 million, a 14.5% decrease from $31.5 million in 2013. Adjusted EBITDA for 2014 grew to $93.9 million, a 15.5% increase from the $81.3 million in adjusted EBITDA for 2013. From 2013 to 2014, organic net revenues grew from $209.8 million to $261.4 million. This $51.6 million increase represented 94.0% of our net revenues growth. We have increased net revenues as a result of increased commerce driven by an increase in consumer traffic to our websites and mobile applications, an increase in digital offers available in our marketplace and an increased amount of premium placement advertising on our websites and applications. See Part II, Item 6: "Selected Financial Data," page 48, for further discussion of adjusted EBITDA, our use of this measure, the limitations of this measure as an analytical tool, and the reconciliation of adjusted EBITDA to net income, the most directly comparable GAAP financial measure.

We were formed in 2007 and began our operations as a marketplace for digital offers in November 2009 with the acquisitions of the businesses of Deals2Buy.com, Coupon7.com, Couponshare.com and CheapStingyBargains.com. In November 2010, we acquired the business of RetailMeNot.com. In August 2011, we acquired the business of VoucherCodes.co.uk, expanding our operations into the U.K. In April 2012, we acquired the businesses of Bons-de-Reduction.com and Poulpeo.com, expanding our operations into France. Our net revenues for 2012 include the net revenues of Bons-de-Reduction.com and Poulpeo.com for the period from the acquisition date through December 31, 2012. In March 2013, we acquired the business of Actiepagina.nl, expanding our operations into the Netherlands. In July 2013, we acquired the business of Ma-Reduc.com, expanding our existing operations in France. In October 2013, we acquired the business and associated offer validation technology of YSL Ventures, Inc., which operated under the name Zendeals. Our net revenues for 2013 include the revenues of Actiepagina.nl, Ma-Reduc.com and YSL Ventures, Inc. for the period from the respective acquisition dates through December 31, 2013.

Our acquisitions have required us to integrate new operations, offices and employees and to formulate and execute on marketing, product, sales, content and technology strategies associated with the acquired businesses. We continue to manage multiple brands and technology platforms of the acquired businesses, which has increased our cost of operations.

We believe that featuring desirable digital offers is necessary to attract visitors to our marketplace, which includes our websites, mobile applications and email and social media distribution channels. In addition to increasing the number of visitors to our marketplace, we are focused on increasing the rate and frequency at which these visitors make purchases from retailers whose digital offers are featured in our marketplace. To meet these challenges, we are focused on a combination of marketing strategies, including pay-per-click advertising, search engine optimization and branding campaigns, with a goal of driving visits to our marketplace as well as increasing the exposure of the digital offer category. We are also investing in product enhancements to make it easier for consumers visiting our marketplace to search and find the right digital offers. We believe these enhancements will increase consumers' interactions with our retailers, which will in turn increase the value we are able to provide to our retailers.

We intend to achieve future success by continuing to focus on improving monetization of our websites and mobile applications, recruiting, training and retaining talented employees, increasing our branding efforts and strengthening our direct relationships with consumers and retailers. We also aim to further strengthen our value proposition for retailers by expanding our retailer solutions. For example, we have recently introduced sponsored category listings, more premium placement advertising opportunities and digital circulars and showcases. We also plan to improve the consistency and reliability of our marketplace by investing in the development and implementation of certain universal software platforms to support all of our websites. We believe this investment will allow us to more easily and rapidly integrate the systems of any additional digital offering businesses which we may acquire and should result in increased operational efficiency. We believe that these significant investments in our team, branding, relationships and technology will enable our expansion into new markets and improve the quality, consistency and monetization of our marketplace.

Key Financial and Operating Metrics

We measure our business using both financial and operating metrics. We use these metrics to assess the progress of our business, make decisions on where to allocate capital, time and technology investments, and assess the longer-term performance of our business. The key financial and operating metrics we use are as follows:

	Year Ended December 31,		
	2014	2013	2012
	(in thousands, except net revenues per visit)		
Financial Metrics			
Online transaction net revenues	$ 235,279	$ 196,693	$ 139,174
Advertising and in-store net revenues	29,404	13,143	5,511
Net revenues	264,683	209,836	144,685
Adjusted EBITDA	93,900	81,320	70,373
Operating Metrics			
Visits	697,131	560,432	464,240
Online transaction net revenues per visit	$ 0.34	$ 0.35	$ 0.30
Monthly mobile unique visitors	21,224	11,913	—

Financial Metrics

Online Transaction Net Revenues. We define online transaction net revenues as commissions for online transactions we receive from paid retailers, either directly or through performance marketing networks. In general, we earn a commission from a paid retailer when a consumer clicks on a digital offer for that paid retailer on one of our websites or mobile applications and then makes an online purchase from that paid retailer.

Advertising and In-store Net Revenues. We define advertising net revenues collectively as amounts paid to us by retailers for displaying digital offers that may be redeemed in-store or on our websites and mobile applications, as well as amounts paid to us by retailers for providing premium placement advertising of the retailer's brand on our websites and mobile applications. We define in-store net revenues as commissions earned from a paid retailer when a consumer presents a digital offer to the retailer and the digital offer is scanned or a unique digital offer code is entered by the retailer at the point of sale.

Net Revenues. We define net revenues as the total of our online transaction net revenues and our advertising and in-store net revenues. We believe net revenues are an important indicator for our business because they are a reflection of the value we offer to consumers and retailers through our marketplace.

Adjusted EBITDA. We define this metric as net income plus depreciation, amortization of intangible assets, stock-based compensation expense, third party acquisition-related costs, other non-cash operating expenses (including asset impairment charges and compensation arrangements entered into in connection with acquisitions), net interest expense, other non-operating income and expenses (including changes in fair value of warrant liabilities and contingent consideration and foreign exchange income or expense) and income taxes. We believe that the use of adjusted EBITDA is helpful in evaluating our operating performance because it excludes certain non-cash expenses, including depreciation, amortization of intangible assets and stock-based compensation expense. See page 48 in Part II, Item 6: “Selected Financial Data” for additional discussion of adjusted EBITDA and the reconciliation to net income.

Operating Metrics

Visits. We define a visit as a group of interactions that take place on one of our websites from computers, smartphones, tablets or other mobile devices within a given time frame as measured by Google Analytics, a product that provides digital marketing intelligence. A single visit can contain multiple page views, events, social interactions, custom variables, and e-commerce transactions. A single visitor can open multiple visits. Visits can occur on the same day, or over several days, weeks, or months. As soon as one visit ends, there is then an opportunity to start a new visit. A visit ends either through the passage of time or a campaign change, with a campaign generally meaning arrival via search engine, referring site, or campaign-tagged information. A visit ends through passage of time either after 30 minutes of inactivity or at midnight Pacific Time. A visit ends through a campaign change if a visitor arrives via one campaign or source, leaves the site, and then returns via another campaign or source. Currently, visits do not include interactions through our mobile applications.

We view visits to our websites as a key indicator of our brand awareness among consumers and whether we are providing consumers with useful products and features, thereby increasing their usage of our marketplace. We believe that a higher level of usage may contribute to an increase in our net revenues and exclusive digital offers as retailers will have exposure to a larger potential customer base.

Online Transaction Net Revenues Per Visit. Online transaction net revenues per visit is defined as online transaction net revenues for the period divided by visits for the period.

Monthly Mobile Unique Visitors. This amount represents the average number of monthly mobile unique visitors for the last three months of the period. We define each of the following as a monthly mobile unique visitor: (i) the first time a specific mobile device accesses one of our mobile applications during a calendar month, and (ii) the first time a specific mobile device accesses one of our mobile websites using a specific web browser during a calendar month. If a mobile device accesses more than one of our mobile websites or mobile applications in a single calendar month, the first access to each such mobile website or mobile application is counted as a monthly mobile unique visitor, as they are tracked separately for each mobile domain. We measure monthly mobile unique visitors with a combination of internal data sources and Google Analytics data.

We view monthly mobile unique visitors as a key indicator of our brand awareness among consumers and usage of our mobile solutions which we expect to be important as users increasingly rely on their mobile devices.

Key Components of Our Results of Operations

Net Revenues

The substantial majority of our net revenues consist of commissions we receive from paid retailers, either directly or through performance marketing networks. In general, we earn commissions from a paid retailer when a consumer makes a purchase online from that paid retailer after clicking on a digital offer for that paid retailer on one of our websites or mobile applications. We also earn revenues from our in-store product, which include commissions earned from a paid retailer when a consumer presents a digital offer to the retailer in-store and the

digital offer is scanned or a unique digital offer code is entered by the retailer at the point of sale, and amounts paid to us by retailers for displaying digital offers that may be redeemed in-store on our websites or mobile applications. We provide performance marketing solutions under contracts with retailers, which generally provide for commission payments to be facilitated by performance marketing networks. Commission rates are typically negotiated with individual retailers with which we have contracts. Our commission rates vary based on both the retailer as well as the product category. We recognize commission revenues when we receive confirmation that a consumer has completed a purchase transaction with a paid retailer, as reported to us through a performance marketing network, or in some cases, by the retailer directly. When a digital offer applies only to specific items, the discount to the consumer will be applied only to those specific items, but our commission is generally based on the aggregate purchase price of all items purchased at that time by the consumer. Finally, we also earn advertising revenues from premium placement advertising on our websites and mobile applications. Rates for advertising are typically negotiated with individual retailers with which we have contracts. Payments for advertising may be made directly by retailers or through performance marketing networks. We expect that the majority of our net revenues in the future will continue to be derived from commissions. Commission revenues are reported net of a reserve for estimated returns. We estimate returns based on our actual historical returns experience; these returns have not been significant.

Costs and Expenses

We classify our costs and expenses into six categories: cost of net revenues, product development, sales and marketing, general and administrative, amortization of purchased intangible assets and other operating expenses. We allocate our personnel, facilities and general information technology, or IT, costs, which include IT and facilities-related personnel costs, rent, depreciation and other general costs, to all of the above categories of operating expenses, other than amortization of purchased intangibles and other operating expenses. We expect personnel costs will be higher in 2015, both in absolute dollars and as a percentage of net revenues, when compared to the prior year as a result of a full year impact of personnel hired in 2014 and our plan to continue to increase the number of our employees as we continue to invest in our business. Personnel costs for employees include salaries and amounts earned under variable compensation plans, payroll taxes, benefits, stock-based compensation expense, costs associated with recruiting new employees, travel costs and other employee-related costs.

Cost of Net Revenues

Our cost of net revenues consists of direct and indirect costs incurred to generate net revenues. These costs consist primarily of personnel costs of our merchandising, site operations and website technical support employees; fees paid to third-party contractors engaged in the operation and maintenance of our websites and mobile applications; depreciation; and website hosting and Internet service costs. We expect our cost of net revenues to increase in both absolute dollars and as a percentage of net revenues in 2015 as we continue to build our infrastructure of employees and tools to support a larger business across multiple markets and endeavor to improve offer quality and increase the number and amount of consumer purchases resulting from visits to our websites and from use of our mobile applications.

Product Development

Our product development expense consists primarily of personnel costs of our product management and software engineering teams, as well as fees paid to third-party contractors and consultants engaged in the design, development, testing and improvement of the functionality and user experience of our websites and mobile applications. We intend to continue to significantly increase our product and software engineering resources over the next year by hiring additional personnel to develop new features and products for our websites and mobile applications. We expect these additional investments to cause our product development expense to increase both in absolute dollars and as a percentage of net revenues in 2015.

Sales and Marketing

Our sales and marketing expense consists primarily of personnel costs of our sales, marketing, SEO and business analytics employees, as well as online and other advertising expenditures, branding programs and other marketing expenses. Our advertising, branding programs and other marketing costs include paid search advertising fees, online display advertising, including on social networking sites, television advertising, creative development fees, public relations, email campaigns, trade show costs, sweepstakes and promotions and other general marketing costs. We intend to increase our sales and marketing efforts in 2015 to support our products, increase consumer traffic to our websites, encourage downloads of our mobile applications, strengthen our relationships with retailers and increase overall awareness of our brand. Therefore, we expect our sales and marketing expenses to increase in absolute dollars and remain relatively constant as a percentage of net revenues in 2015.

General and Administrative

Our general and administrative expense consists primarily of the personnel costs of our general corporate functions, including executive, finance, accounting, legal and human resources. Other costs included in general and administrative include professional fees for legal, audit and other consulting services, travel and entertainment, charitable contributions, provision for doubtful accounts receivable and other general corporate overhead expenses. We expect to continue to incur incremental costs associated with the growth of our business and to meet increased compliance requirements associated with operating as a public company. These costs include increases in our finance, accounting and legal personnel, additional consulting, legal and audit fees, insurance costs, board of directors' compensation, and the costs associated with achieving and maintaining compliance with Section 404 of the Sarbanes-Oxley Act. We expect our general and administrative expenses to increase in absolute dollars but decline as a percentage of net revenues in 2015.

Amortization of Purchased Intangibles

We have recorded identifiable intangible assets in conjunction with our various acquisitions, and are amortizing those assets over their estimated useful lives. We perform impairment testing of goodwill annually on October 1 of each year and, in the case of intangibles with definite lives, whenever events or circumstances indicate that impairment may have occurred. We expect our amortization expenses to decline in absolute dollars and as a percentage of net revenues in 2015. However, changes in our amortization expenses will depend upon the level of our future acquisition activity.

Other Operating Expenses

Other operating expenses for 2014 consist primarily of amortization expense related to deferred compensation agreements with the selling stockholders of YSL Ventures, Inc. and Bons-de-Reduction.com and Poulpeo.com. In 2013, we acquired YSL Ventures, Inc. and entered into $6.2 million in deferred compensation agreements with the selling stockholders of the business, $3.1 million of which was paid in October 2014. The deferred compensation is due and payable contingent upon the continued employment of the selling stockholders and as a result we are amortizing the associated expense over the term of the compensation arrangement with the sellers. In 2012, we acquired Bons-de-Reduction.com and Poulpeo.com and issued $3.5 million in seller notes to the selling stockholders of the business. These seller notes were due and payable contingent upon the continued employment of the selling stockholders and as a result have been recorded as deferred compensation, which we amortized over the term of the compensation arrangement with the sellers, which was completed in May 2014. We expect other operating expenses to decrease in absolute dollars and as a percentage of net revenues in 2015 as a result of the completion during 2014 of our deferred compensation agreement with the selling stockholders of Bons-de-Reduction.com and Poulpeo.com.

Other operating expenses for 2012 primarily consist of amounts related to non-cash impairments of purchased intangible assets. In 2012, we determined that we would no longer support three of our websites,

Coupon7.com, Couponshare.com and CheapStingyBargains.com. We have redirected traffic from CheapStingyBargains.com to Deals2Buy.com and refer visitors from Coupon7.com and Couponshare.com to RetailMeNot.com. We do not expect these sites to provide additional income. As a result of this impairment indicator, we determined that a complete impairment of the remaining unamortized intangible assets related to these websites was warranted, resulting in an impairment charge of $4.9 million. We did not record any intangible asset impairment charges during the years ended December 31, 2014 and 2013.

Other Income (Expense)

Amounts included in other income (expense) include interest income earned on our available cash and cash equivalents, interest expense incurred in connection with our senior debt and seller notes and the amortization of deferred financing costs. We also include in other income (expense), net foreign currency exchange gains and losses. Changes in these amounts will depend to some extent upon the level of our future borrowing activity and movements in foreign currency.

Income Tax Expense

Our effective tax rate for the years ended December 31, 2014, 2013, and 2012 was 41.9%, 37.5% and 38.6%, respectively. Our effective tax rate is affected by recurring items, such as tax rates in foreign jurisdictions and the relative amount of income we earn in those jurisdictions, tax credits, state taxes and non-deductible expenses, such as acquisition costs and stock-based compensation. Our mix of foreign versus U.S. income, our ability to generate tax credits and our incurrence of any non-deductible expenses will likely cause our effective tax rate to fluctuate in the future. Our effective tax rate is also affected by discrete items that may occur in any given year, but are not consistent from year to year.

During the first quarter of 2014, we implemented a global corporate restructuring plan involving our non-U.S. entities to streamline our non-U.S. operations. The impact of this restructuring has resulted and may continue to result in volatility in our provision for income taxes and our effective tax rate.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in conformity with GAAP requires estimates, judgments and assumptions that affect the reported amounts and classifications of assets and liabilities, net revenues and expenses and the related disclosures of contingent liabilities in our consolidated financial statements and accompanying notes. The SEC has defined a company's critical accounting policies as the ones that are most important to the portrayal of the company's financial condition and results of operations, and which require the company to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, we have identified the following critical accounting policies and estimates addressed below.

We also have other key accounting policies, which involve the use of estimates, judgments, and assumptions that are significant to understanding our results. See Note 2 "Summary of Significant Accounting Policies" of Part II, Item 8: "Financial Statements." Of those policies, we believe that the accounting policies discussed below involve the greatest degree of complexity and exercise of judgment by our management. We evaluate our estimates, judgments and assumptions on an ongoing basis, and while we believe that our estimates, judgments and assumptions are reasonable, they are based upon information available at the time. Actual results may differ significantly from these estimates under different assumptions, judgments or conditions.

Business Combinations and the Recoverability of Goodwill and Long-Lived Intangible Assets

A significant component of our growth strategy has been to acquire and integrate businesses that complement our existing operations. We account for business combinations using the purchase method of accounting and allocate the purchase price of each acquired business to the tangible and intangible assets

acquired and liabilities assumed based upon their estimated fair value at the purchase date. The difference between the purchase price and the fair value of the net assets acquired is recorded as goodwill.

In determining the fair value of assets acquired and liabilities assumed in a business combination, we use recognized valuation methods, including the income approach, market approach and cost approach, and apply present value modeling. Our significant estimates in the income, market or cost approach include identifying business factors such as size, growth, profitability, risk and return on investment and assessing comparable net revenues and operating income multiples in estimating the fair value. We also make certain assumptions specific to present value modeling valuation techniques which include risk-adjusted discount rates, future commission rates, rates of increase in operating expenses, weighted-average cost of capital, long-term growth rate assumptions and the future effective income tax rates.

Most of the businesses we have acquired did not have a significant amount of tangible assets. As a result, our acquisitions have resulted in the majority of the purchase price being allocated to identifiable intangible assets and goodwill. The long-lived intangible assets we have identified in each acquisition include customer relationships and marketing-related, contract-related and technology-based intangible assets. All of our long-lived intangible assets have a definite life that ranges from one year to 15 years, which we have determined reflects our best estimate of the pattern in which the economic benefit of the related intangible asset will be utilized. As of December 31, 2014, we had $70.8 million in intangible assets (net of accumulated amortization) and $176.9 million of goodwill.

The valuations of our acquired businesses have been performed by valuation specialists under our management's supervision. We believe that the estimated fair value assigned to the assets acquired and liabilities assumed are based on reasonable assumptions and estimates that marketplace participants would use. However, such assumptions are inherently uncertain and actual results could differ from those estimates. Future changes in our assumptions or the interrelationship of those assumptions may negatively impact future valuations. In future measurements of fair value, adverse changes in discounted cash flow assumptions could result in an impairment of goodwill or intangible assets that would require a non-cash charge to the consolidated statements of operations and may have a material effect on our financial condition and operating results.

We perform our annual impairment testing of goodwill as of October 1 of each year, and whenever events or circumstances indicate that impairment may have occurred. Events or circumstances that could trigger an impairment review include, but are not limited to, a significant adverse change in legal factors or in the business climate, an adverse action or assessment by a regulator, significant changes in competition, a loss of key personnel, significant changes in our use of the acquired assets or the strategy for our overall business, significant negative industry or economic trends, or significant underperformance relative to expected historical or projected future results of operations. We determined that no triggering events occurred during the year ended December 31, 2014.

We evaluate the recoverability of goodwill using a two-step impairment process tested at the reporting segment level. In the first step, the fair value for our reporting unit is compared to our book value including goodwill. For purposes of performing the required impairment test, we derive enterprise fair value utilizing the market capitalization approach, whereby the market value of our outstanding shares of common stock are utilized to calculate the fair value of our sole reporting unit. In the case that the fair value is less than the book value, a second step is performed that compares the implied fair value of goodwill to the book value of the goodwill. The fair value for the implied goodwill is determined based on the difference between the fair value of the sole reporting segment and the net fair value of the identifiable assets and liabilities excluding goodwill. If the implied fair value of the goodwill is less than the book value, the difference is recognized as an impairment charge in the consolidated statements of operations.

Our annual evaluation of goodwill for impairment was as of October 1, 2014. We have determined that we have one reporting unit. The fair value of our single reporting unit significantly exceeded its carrying value, including goodwill, as of the impairment test date. As a result, we passed Step 1 of the goodwill impairment

analysis and no further evaluation was required. Due to the significant excess of the fair value of our single reporting unit over its carrying value, a 10% decrease to the estimated fair value of our reporting unit would not have had an impact on the conclusion of our goodwill impairment testing for our reporting unit. We did not record any goodwill impairment charges during the years ended December 31, 2014, 2013 and 2012.

Long-lived assets, including intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When such events occur, we compare the carrying amounts of the assets to their undiscounted expected future cash flows. If this comparison indicates that there is impairment, the amount of the impairment is calculated as the difference between the carrying value and fair value.

Revenue Recognition

We recognize revenue when persuasive evidence of an arrangement exists, services have been rendered, the fee to our customers is fixed or determinable and collectability of the resulting receivable is reasonably assured. For commission revenues, which represent the substantial majority of our net revenues, revenue recognition generally occurs when a consumer, having visited one of our websites and clicked on a digital offer for a paid retailer, makes a purchase with such paid retailer, and completion of the order is reported to us by such paid retailer, either directly or through a performance marketing network. Certain paid retailers do not provide reporting until a cash payment is made. In those cases, which have historically not been significant, we record commission revenues on a cash basis. For advertising revenues, revenue recognition occurs ratably over the period that we display a retailer's advertisements on our websites and mobile applications. We estimate and record a reserve, based upon historical experience, to provide for end-user cancelations or product returns, which may not be reported by the retailer or performance marketing network until a subsequent date. Net revenues are reported net of sales taxes, where applicable.

Income Taxes

We are subject to income taxes in both the U.S. and foreign jurisdictions. Significant judgment is required in evaluating our tax positions and determining our provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. For example, our effective tax rate could be adversely affected by differences between our anticipated and the actual mix of earnings generated across different tax jurisdictions which have higher or lower statutory tax rates, by changes in the valuation of our deferred tax assets and liabilities, by changes in foreign currency exchange rates or by changes in the relevant tax, accounting and other laws, regulations, principles and interpretations.

We account for income taxes using the asset and liability method, under which deferred income tax assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying values of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed or settled. We regularly review deferred tax assets to assess their potential realization and establish a valuation allowance for portions of such assets to reduce the carrying value if we do not consider it to be more likely than not that the deferred tax assets will be realized. Any change in the valuation allowance would be charged to income in the period such determination was made. We recognize a tax benefit from an uncertain tax position in the financial statements only when it is more likely than not that the position will be sustained.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across our global operations. ASC 740 states that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of the technical merits.

We record unrecognized tax benefits as liabilities in accordance with ASC 740 and adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the unrecognized tax benefit liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which new information is available.

We are subject to audit in various jurisdictions, and such jurisdictions may assess additional income taxes against us. Although we believe our tax estimates are reasonable, the final determination of any tax audits and any related litigation could be materially different from historical income tax provisions and accruals. The results of an audit or litigation could have a material effect on our operating results or cash flows in the period or periods for which that determination is made.

We consider the earnings of certain non-U.S. subsidiaries to be indefinitely invested outside the United States on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash needs and our specific plans for reinvestment of those subsidiary earnings. We have not recorded a deferred tax liability related to the U.S. federal and state income taxes and foreign withholding taxes of our undistributed earnings of foreign subsidiaries indefinitely invested outside the U.S. Should we decide to repatriate our foreign earnings, we would need to adjust our income tax provision in the period we determined that those earnings would no longer be indefinitely invested outside the U.S.

Stock-Based Compensation

We measure stock-based compensation expense at fair value net of estimated forfeitures and generally recognize the corresponding compensation expense on a straight-line basis over the service period during which awards are expected to vest. Forfeiture rates are estimated periodically based on historical experience and adjusted in subsequent periods for differences in actual forfeitures from those estimates.

We use the Black-Scholes-Merton option-pricing model to determine the fair value of stock options. The determination of the grant date fair value of options using an option-pricing model is affected by our estimates of a number of complex and subjective variables. These variables include:

- *Fair Value of Our Common Stock*. Because our stock was not publicly traded prior to our offering in July 2013, the fair value of our common stock underlying our stock options was previously determined by our board of directors, which intended all options to be exercisable at a price per share not less than the per share value of our common stock underlying those options on the date of grant. Following the completion of our initial public offering our common stock is being valued by reference to its publicly traded price.
- *Expected Term.* The expected term represents the period of time the stock options are expected to be outstanding and is based on the "simplified method" allowed under applicable SEC guidance. We used the "simplified method" due to the lack of sufficient historical exercise data to provide a reasonable basis upon which to otherwise estimate the expected life of the stock options.
- *Expected Volatility.* Since we do not have a significant trading history for our Series 1 common stock, the expected stock price volatility was estimated by taking the average historical price volatility for publicly-traded stock of comparable industry peers similar in size, stage of life cycle and financial leverage, based on daily price observations over a period equivalent to the expected term of the stock option grants. We did not rely on implied volatilities of traded options in our industry peers' common stock because the volume of activity was relatively low. We intend to continue to consistently apply this process using the same or similar public companies until a sufficient amount of historical information regarding the volatility of our Series 1 common stock share price becomes available, or unless circumstances change such that the identified companies are no longer similar to us, in which case more suitable companies whose share prices are publicly available would be utilized in the calculation.

- *Dividend Yield.* We do not presently plan to pay cash dividends on our Series 1 common stock in the foreseeable future. Consequently, we used an expected dividend yield of zero.
- *Risk-free Interest Rate.* The risk-free interest rate is based on the yields of U.S. Treasury securities with maturities similar to the expected term of the options for each option group.

The fair value of restricted stock units, or RSUs, equals their intrinsic value on the date of grant.

Results of Operations

The following table presents our historical operating results for the periods indicated. The period-to-period comparisons of financial results are not necessarily indicative of future results.

	Year Ended December 31,		
	2014	2013	2012
	(in thousands)		
Consolidated Statements of Operations Data:			
Net revenues	$ 264,683	$ 209,836	$ 144,685
Costs and expenses:			
Cost of net revenues	18,617	13,049	9,113
Product development	47,882	30,566	14,481
Sales and marketing	90,062	70,303	40,672
General and administrative	42,343	28,583	15,758
Amortization of purchased intangible assets	12,243	12,081	13,158
Other operating expenses	4,065	2,525	6,006
Total costs and expenses	215,212	157,107	99,188
Income from operations	49,471	52,729	45,497
Other income (expense):			
Interest expense, net	(1,981)	(2,980)	(3,221)
Other income (expense), net	(1,102)	672	77
Income before income taxes	46,388	50,421	42,353
Provision for income taxes	(19,423)	(18,891)	(16,360)
Net income	$ 26,965	$ 31,530	$ 25,993

	Year Ended December 31, 2014	2013	2012
Consolidated Statements of Operations Data as Percentage of Net Revenues:			
Net revenues	100.0%	100.0%	100.0%
Costs and expenses:			
Cost of net revenues	7.0	6.2	6.3
Product development	18.1	14.6	10.0
Sales and marketing	34.0	33.5	28.1
General and administrative	16.0	13.6	10.9
Amortization of purchased intangible assets	4.6	5.8	9.1
Other operating expenses	1.6	1.2	4.2
Total costs and expenses	81.3	74.9	68.6
Income from operations	18.7	25.1	31.4
Other income (expense):			
Interest expense, net	(0.7)	(1.4)	(2.2)
Other income (expense), net	(0.5)	0.3	0.1
Income before income taxes	17.5	24.0	29.3
Provision for income taxes	(7.3)	(9.0)	(11.3)
Net income	10.2%	15.0%	18.0%

Net Revenues

	Year Ended December 31, 2014	2013	2012
	(dollars in thousands)		
Net Revenues by Source:			
Online transactions	$235,279	$196,693	$139,174
Advertising and in-store	29,404	13,143	5,511
Total net revenues	$264,683	$209,836	$144,685
Percentage of Net Revenues by Source:			
Online transactions	88.9%	93.7%	96.2%
Advertising and in-store	11.1%	6.3%	3.8%
Total percentage	100.0%	100.0%	100.0%

	Year Ended December 31, 2014	2013	2012
	(dollars in thousands)		
Net Revenues by Geography:			
U.S.	$206,865	$166,532	$119,986
International	57,818	43,304	24,699
Total net revenues	$264,683	$209,836	$144,685
Percentage of Net Revenues by Geography:			
U.S.	78.2%	79.4%	82.9%
International	21.8%	20.6%	17.1%
Total percentage	100.0%	100.0%	100.0%

2014 compared to 2013. Net revenues increased by $54.8 million, or 26.1%, for the year ended December 31, 2014 compared to the year ended December 31, 2013. Excluding the impact of acquired businesses, organic net revenues accounted for approximately 94.0% of the increase for the period.

Approximately 70.4% of the growth in net revenues was generated from increased online transaction net revenues and 29.6% was generated from growth in our advertising and in-store net revenues. The growth in our online transaction net revenues of $38.6 million, or 19.6%, was driven by a 24.5% increase in the total volume of visits to our websites compared to 2013. Visits growth outpaced online transaction net revenues growth due primarily to a decrease in the percentage of visits, including the incremental visits in the period, that resulted in paid transactions. This decrease was a result of an increase in the percentage of overall visits to our mobile websites, which generally monetize at a lower rate than visits to our desktop websites. Growth in online transaction net revenues was further offset by some deterioration in the average commission rate paid primarily by our smaller unmanaged retailer relationships. The growth in our advertising and in-store net revenues was primarily due to improvements to the usability and functionality enhancements of our in-store product as well as the efforts of our direct sales force.

2013 compared to 2012. Net revenues increased by $65.2 million, or 45.0%, for the year ended December 31, 2013 compared to the year ended December 31, 2012. Excluding the impact of acquired businesses, organic net revenues accounted for approximately 90.0% of the increase for the period, including a $2.3 million decline in net revenues from Coupon7.com and Couponshare.com, which are websites that we stopped supporting during the fourth quarter of 2012.

Approximately 88.3% of the growth in net revenues was generated from increased online transaction net revenues and 11.7% was generated from growth in our advertising and in-store net revenues. Of the organic growth in our online transaction net revenues, approximately 51.8% was due to improved monetization driven by an increase in the percentage of visits, including the incremental visits in the period, that resulted in a paid transaction, with the remainder of the growth due to an increase in visits. Net revenues were positively affected by continued expansion of our online and offline marketing efforts, including increased investment in both paid and organic search and email subscriptions. The merchandising, usability and functionality enhancements we implemented in 2012 also contributed to improved net revenues per visit at RetailMeNot.com.

Cost of Net Revenues

	Year Ended December 31,		
	2014	2013	2012
	(dollars in thousands)		
Cost of net revenues	$18,617	$13,049	$9,113
Percentage of net revenues	7.0%	6.2%	6.3%

2014 compared to 2013. For the year ended December 31, 2014, cost of net revenues increased by $5.6 million, or 42.7%, compared to the year ended December 31, 2013. This increase was largely attributable to a $3.5 million increase in personnel costs. The increase in personnel costs led to an increase in allocated facility and information technology costs of $0.8 million. We increased website operating costs by $0.9 million to expand capacity and improve the performance and scalability of our websites and mobile applications.

2013 compared to 2012. For the year ended December 31, 2013, cost of net revenues increased by $3.9 million, or 43.2%, compared to the year ended December 31, 2012. This increase was largely attributable to a $1.9 million increase in personnel costs. The increase in personnel costs led to an increase in allocated facility and information technology costs of $1.3 million. We increased website operating costs by $0.6 million to support increased consumer traffic to our websites as well as to strengthen our technology infrastructure. We increased our investment in our information technology and website support infrastructure to expand the capacity and to improve the performance and scalability of our websites and mobile applications.

Product Development

	Year Ended December 31,		
	2014	2013	2012
	(dollars in thousands)		
Product development	$47,882	$30,566	$14,481
Percentage of net revenues	18.1%	14.6%	10.0%

2014 compared to 2013. For the year ended December 31, 2014, product development expense increased by $17.3 million, or 56.7%, compared to the year ended December 31, 2013. This increase was primarily attributable to a $14.7 million increase in personnel costs. The increase in personnel costs also led to an increase in allocated facilities and IT support costs of $1.6 million. We increased personnel in order to enhance the functionality of, and develop new features and products for, our websites and mobile applications, and to strengthen our reporting and analytics capabilities. Additionally, fees for usability studies and technology licenses used in the design and development of our websites increased by $3.4 million. These increases were partially offset by the capitalization of $2.6 million of internally developed software and website development costs related primarily to infrastructure development to enhance our in-store and advertising products, personalization capabilities and content quality and delivery capabilities.

2013 compared to 2012 For the year ended December 31, 2013, product development expense increased by $16.1 million, or 111.1%, compared to the year ended December 31, 2012. This increase was primarily attributable to an $11.4 million increase in personnel costs. The increase in personnel costs also led to an increase in allocated facilities and IT support costs of $2.1 million. We increased personnel in order to enhance the functionality of our websites, to develop new products, including mobile applications, enter new geographies and strengthen our reporting and analytics capabilities. Additionally, fees for usability studies and technology licenses used in the design and development of our websites increased by $2.6 million.

Sales and Marketing

	Year Ended December 31,		
	2014	2013	2012
	(dollars in thousands)		
Sales and marketing	$90,062	$70,303	$40,672
Percentage of net revenues	34.0%	33.5%	28.1%

2014 compared to 2013. For the year ended December 31, 2014, sales and marketing expense increased by $19.8 million, or 28.1%, compared to the year ended December 31, 2013. This increase was primarily attributable to an increase in advertising and personnel costs as we continue to build our brand, acquire new customers, increase consumer traffic to our websites and increase consumer downloads of our mobile applications in order to grow our business. Online, brand and other marketing expenses increased by $5.2 million. This increase was primarily attributable to public relations and offline and online advertising for brand building, contextual advertising placements and user acquisition efforts. We also incurred an increase of $3.4 million in paid search expenses. In addition, personnel costs increased by $11.1 million. We increased personnel in order to continue the expansion of our sales teams to support our growing business and to further strengthen relationships with leading retailers. We also added personnel to support the marketing initiatives described above and to expand our email marketing, social media and other consumer acquisition initiatives.

2013 compared to 2012. For the year ended December 31, 2013, sales and marketing expense increased by $29.6 million, or 72.9%, compared to the year ended December 31, 2012. This increase was primarily attributable to an increase in advertising and personnel costs as we continue to build our brand, acquire new customers and increase consumer traffic to our websites in order to grow our business. Online, brand and other marketing expenses increased by $12.6 million. This increase was primarily attributable to public relations and

offline and online advertising for brand building, contextual advertising placements and user acquisition efforts. We also incurred an increase of $7.6 million in paid search expenses. Personnel costs increased by $7.4 million, which led to a related increase in allocated facilities and IT support costs of $1.8 million. We increased personnel in order to continue the expansion of our sales teams to support our growing portfolio of websites and to further strengthen relationships with top retailers. We also added personnel to support the marketing initiatives described above and to expand our email marketing, social media and other consumer acquisition initiatives.

General and Administrative

	Year Ended December 31,		
	2014	2013	2012
	(dollars in thousands)		
General and administrative	$42,343	$28,583	$15,758
Percentage of net revenues	16.0%	13.6%	10.9%

2014 compared to 2013. For the year ended December 31, 2014, general and administrative expense increased by $13.8 million, or 48.1%, compared to the year ended December 31, 2013. This increase was primarily attributable to an $8.2 million increase in personnel costs. We added personnel to further build-out our human resources function, to increase our business development efforts and to add resources in the finance and legal functions to operate as a public company. We also incurred an increase in our provision for doubtful accounts receivable of $3.2 million, of which $1.1 million is related to aged accounts identified in the transition to our new transaction reporting system.

2013 compared to 2012. For the year ended December 31, 2013, general and administrative expense increased by $12.8 million, or 81.4%, compared to the year ended December 31, 2012. This increase was primarily attributable to a $10.7 million increase in personnel costs. We added personnel to further build-out our human resources function, to increase our business development efforts and to add resources in the finance and legal functions to operate as a public company. Professional fees increased $2.2 million for the year ended December 31, 2013, due to increased legal, accounting and consulting costs associated with the growth of our existing business and becoming a public company.

Amortization of Purchased Intangible Assets

	Year Ended December 31,		
	2014	2013	2012
	(dollars in thousands)		
Amortization of purchased intangible assets	$12,243	$12,081	$13,158
Percentage of net revenues	4.6%	5.8%	9.1%

2014 compared to 2013. For the year ended December 31, 2014, amortization of purchased intangible assets increased by $0.2 million, or 1.3%, compared to the year ended December 31, 2013. The increase in amortization expense was primarily the result of the recognition of amortization expense associated with the addition of purchased intangible assets as part of our acquisitions of YSL Ventures, Inc. in October 2013 and the businesses of Ma-Reduc.com in July 2013 and Actiepagina.nl in March 2013. The increases were partially offset by the expiration of the useful life of certain of the purchased intangible assets as part of our acquisition of the businesses of Bons-de-Reduction.com and Poulpeo.com in May 2012.

2013 compared to 2012. For the year ended December 31, 2013, amortization of purchased intangible assets decreased by $1.1 million, or 8.2%, compared to the year ended December 31, 2012. The decrease in amortization expense for the year ended December 31, 2013 was primarily the result of the expiration of the useful life of certain of the purchased intangible assets as part of our acquisition of the business of VoucherCodes.co.uk in 2011 and the recorded impairment during 2012 of the remaining unamortized intangible

assets related to three of our websites, Coupon7.com, Couponshare.com and CheapStingyBargains.com. These impairment costs were recognized in other operating expenses in our statement of operations. These decreases were partially offset by the recognition of amortization expense associated with the addition of purchased intangible assets as part of our acquisitions of the businesses of YSL Ventures, Inc. in October 2013, Ma-Reduc.com in July 2013 and Actiepagina.nl in March 2013.

Other Operating Expenses

	Year Ended December 31,		
	2014	2013	2012
	(in thousands)		
Impairment of purchased intangible assets	$ —	$ —	$ 4,924
Deferred compensation	3,978	2,527	1,082
Assets disposal (gain) or loss	87	(2)	—
Total other operating expenses	$4,065	$2,525	$ 6,006

2014 compared to 2013. During the years ended December 31, 2014 and 2013, we recognized $4.0 and $2.5 million, respectively, in deferred compensation charges for our October 2013 acquisition of the business of YSL Ventures, Inc. and our May 2012 acquisition of the businesses of Bons-de-Reduction.com and Poulpeo.com. Our obligations to pay the outstanding amounts under these deferred compensation arrangements are contingent upon the continued employment of the selling stockholders and, as a result, have been recorded as deferred compensation, which we amortize over the term of the compensation arrangements with the sellers.

2013 compared to 2012. In 2012, we determined that we would no longer support three of our websites, Coupon7.com, Couponshare.com and CheapStingyBargains.com. We redirected traffic from CheapStingyBargains.com to Deals2Buy.com and refer visitors from Coupon7.com and Couponshare.com to RetailMeNot.com. As a result of this impairment indicator, we determined that a complete impairment of the remaining unamortized intangible assets related to these websites was warranted, resulting in an impairment charge of $4.9 million. We did not record any intangible asset impairment charges during the year ended December 31, 2013. During the years ended December 31, 2013 and 2012, we recognized $2.5 million and $1.1 million, respectively, in deferred compensation charges for our October 2013 acquisition of the business of YSL Ventures, Inc. and our May 2012 acquisition of the businesses of Bons-de-Reduction.com and Poulpeo.com. Our obligations to pay the outstanding amounts under these deferred compensation arrangements are contingent upon the continued employment of the selling stockholders and, as a result, have been recorded as deferred compensation, which we amortize over the term of the compensation arrangements with the sellers.

Other Income (Expense)

	Year Ended December 31,		
	2014	2013	2012
	(in thousands)		
Interest expense, net	$(1,981)	$(2,980)	$ (3,221)
Other income (expense), net	(1,102)	672	77

2014 compared to 2013. The decrease in interest expense, net, for the year ended December 31, 2014 is primarily the result of the repayment of seller notes we issued in connection with our acquisitions of businesses. The increase in other income (expense), net is due to foreign currency exchange net losses.

2013 compared to 2012. The decrease in interest expense, net, for the year ended December 31, 2013 is primarily the result of a decrease in average outstanding principal on our senior debt facility and the repayment during 2012 of our seller notes issued in connection with our acquisitions of the business of RetailMeNot.com in

November 2010 and an internet domain name in April 2010. These decreases were partially offset by a $0.6 million write-off of the remaining unamortized deferred financing costs of our prior senior debt facility following the amendment of such senior debt facility in July 2013 and an increase in interest expense for seller notes issued in connection with our acquisition of the businesses of Bons-de-Reduction.com and Poulpeo.com during May 2012 and Ma-Reduc.com in July 2013. Other income for 2013 primarily reflects foreign exchange gains.

Income Taxes

	Year Ended December 31,		
	2014	2013	2012
	(dollars in thousands)		
Provision for income taxes	$(19,423)	$(18,891)	$(16,360)
Percentage of net revenues	(7.3%)	(9.0%)	(11.3%)
Effective tax rate	41.9%	37.5%	38.6%

2014 compared to 2013. Our income tax expense for the year ended December 31, 2014 was $19.4 million, or an increase of 2.8%, compared to income tax expense of $18.9 million for the year ended December 31, 2013. Our effective tax rate was 41.9% and 37.5% during the year ended December 31, 2014 and 2013, respectively. As of December 31, 2014, our effective tax rate differed from the statutory rate primarily due to tax charges associated with the implementation of our global corporate restructuring plan in the first fiscal quarter of 2014, non-deductible stock-based compensation charges, non-deductible deferred compensation expenses and state income taxes, which were partially offset by the effect of different statutory tax rates in foreign jurisdictions, tax credits and the benefit of disqualifying dispositions of incentive stock options. As of December 31, 2013, our effective tax rate differed from the statutory rate primarily due to non-deductible, stock-based compensation charges, non-deductible deferred compensation expense and state taxes, which were partially offset by the effect of different statutory tax rates in foreign jurisdictions and tax credits.

2013 compared to 2012. Our income tax expense for the year ended December 31, 2013 was $18.9 million, or an increase of 15.5%, compared to income tax expense of $16.4 million for the year ended December 31, 2012. Our effective tax rate was 37.5% and 38.6% during the year ended December 31, 2013 and 2012, respectively, and differed from the statutory rate primarily due to non-deductible, stock-based compensation charges, and state taxes, which were partially offset by the effect of different statutory tax rates in foreign jurisdictions.

Seasonality and Quarterly Results

Our overall operating results fluctuate from quarter to quarter as a result of a variety of factors, including seasonal factors and economic cycles that influence consumer purchasing of retail products. Historically, we have experienced the highest levels of visitors to our websites and mobile applications and net revenues in the fourth quarter of the year, which coincides with the winter holiday season in the U.S. and Europe. During the fourth quarter of 2014, we generated net revenues of $87.4 million, which represented 33.0% of our net revenues for 2014. This seasonality may not be fully evident in our historical business performance because of our significant growth and the timing of our acquisitions. For instance, we have entered new markets through international acquisitions and increased the number of paid retailer and performance marketing network relationships. These changes have contributed to the substantial growth in our net revenues and corresponding increases in our operating costs and expenses to support our growth. Further, we believe net revenues from our in-store product may be even more heavily weighted to the fourth quarter of the year. As net revenues from this part of our business grow as a percentage of overall net revenues, our seasonality may increase. Our investments have led to uneven quarterly operating results due to increases in personnel costs, product and technology enhancements and the impact of our acquisitions and other strategic projects. The return on these investments is generally achieved in future periods and, as a result, these investments can adversely impact near term results.

Our business is directly affected by the behavior of consumers. Economic conditions and competitive pressures can impact, both positively and negatively, the types of digital offers featured on our websites and

applications and the rates at which they are utilized by consumers. Consequently, the results of any prior quarterly or annual periods should not be relied upon as indications of our future operating performance.

Liquidity and Capital Resources

Since our inception, we have funded our operations and acquisitions primarily through private placements of our preferred stock, the issuance of equity securities through our initial public offering and follow-on offering, bank borrowings and cash flows from operations. We generated positive cash flow from operations for the years ended December 31, 2014, 2013 and 2012. As of December 31, 2014, we had $244.5 million in cash and cash equivalents, compared to $165.9 million at December 31, 2013. At December 31, 2014, certain of our foreign subsidiaries held approximately $15.6 million of our cash and cash equivalents. If these assets were distributed to the U.S., we might be subject to additional U.S. taxes in certain circumstances, subject to an adjustment for foreign tax credits, and foreign withholding taxes. We have not provided for these taxes because we consider these assets to be permanently reinvested in our foreign subsidiaries. We have no plans or intentions to repatriate cumulative earnings of our foreign subsidiaries through December 31, 2014.

The following table summarizes our cash flows for the periods indicated:

	Year Ended December 31,		
	2014	**2013**	**2012**
		(in thousands)	
Net cash provided by operating activities	$ 61,395	$ 31,530	$ 42,253
Net cash used in investing activities	(13,049)	(36,896)	(13,379)
Net cash provided by (used in) financing activities	31,444	73,704	(20,082)
Effects of foreign currency exchange rate on cash	(1,189)	401	116
Net change in cash and cash equivalents	78,601	68,739	8,908
Cash and cash equivalents at beginning of the year	165,881	97,142	88,234
Cash and cash equivalents at end of the year	$ 244,482	$ 165,881	$ 97,142

Net Cash Provided by Operating Activities

Cash provided by operating activities primarily consists of our net income adjusted for certain non-cash items and the effect of changes in working capital and other items. Net cash provided by operating activities was $61.4 million, $31.5 million and $42.3 million during the years ended December 31, 2014, 2013 and 2012, respectively.

During 2014, cash flows from operating activities were primarily generated through net income of $27.0 million, including the impact of depreciation and amortization expense of $15.7 million, stock-based compensation expense of $24.5 million and the amortization of deferred compensation of $4.0 million, offset by excess income tax benefit from stock-based compensation and other costs of $12.2 million and a deferred income tax benefit of $4.2 million.

During 2013, cash flows from operating activities were primarily generated through net income of $31.5 million, including the impact of depreciation and amortization expense of $14.1 million and stock-based compensation expense of $10.5 million, offset by $23.6 million from changes in cash flows associated with working capital. The changes in cash flows associated with working capital were primarily driven by an increase in accounts receivable of $25.7 million due to our net revenues growth.

During 2012, cash flows from operating activities were generated through net income of $26.0 million, including the impact of depreciation and amortization of $14.2 million, stock-based compensation expense of $4.0 million and the impairment of assets of $4.9 million, offset by a decrease in cash flows associated with changes in working capital of $7.5 million. The increase in working capital was primarily caused by an increase in accounts receivable of $9.3 million due to our growth of net revenues.

Net Cash Used in Investing Activities

Our primary investing activities consist of business acquisitions and purchases of property and equipment. Net cash used in investing activities was $13.0 million, $36.9 million and $13.4 million during the years ended December 31, 2014, 2013 and 2012, respectively. We used $11.4 million to acquire the business of YSL Ventures, Inc., $15.3 million to acquire the business of Ma-Reduc.com and $1.9 million to acquire the business of Actiepagina.nl in 2013 and $10.3 million for our acquisitions of the businesses Bons-de-Reduction.com and Poulpeo.com during 2012. The remainder of our investing activities during these periods was comprised of purchases of computer equipment and software, office furniture and fixtures, leasehold improvements, certain capitalized internally developed software and website development costs and domain names. As we continue to expand our business and facilities, we intend to purchase additional technology resources and invest in our operating facilities. We may have acquisitions in the future that could have a material impact on our cash flows and operations.

Net Cash Provided by (Used in) Financing Activities

Our primary financing activities consist of net proceeds from the issuance of shares of our common stock, the exercise of stock options by employees and borrowings and repayments of senior debt and subordinated debt and notes payable issued in connection with acquisitions. Net cash provided by financing activities was $31.4 million and $73.7 million during the years ended December 31, 2014 and 2013, respectively. Net cash used in financing activities was $20.1 million for the year ended December 31, 2012.

During 2014, we borrowed $49.2 million, net of issuance costs, in connection with the amendment of our senior debt, and used $41.3 million to repay a portion of our senior debt and certain seller notes payable. The remainder of our financing activities during the period was primarily composed of proceeds from the exercise of stock options by employees of $11.5 million and the excess income tax benefit from stock-based compensation and other costs of $12.2 million.

During 2013, we received approximately $49.1 million of net proceeds, after deducting underwriting discounts and commissions and offering expenses, from the sale of shares of our common stock by us in our follow-on public offering and we received $85.4 million of net proceeds, after deducting underwriting discounts and commissions and offering expenses, from the sale of shares of our Series 1 common stock by us in our initial public offering. With the proceeds to us of our initial public offering, we (i) paid in full accumulated dividends on our previously outstanding shares of preferred stock, which totaled approximately $52.5 million, and (ii) repaid the outstanding principal and accrued interest on seller notes issued in connection with our acquisition of eConversions Limited in 2012, which totaled approximately $6.6 million. We also paid approximately $6.1 million in deemed dividends to investors in exchange for voting in favor of the conversion of preferred stock to common stock in connection with our initial public offering. We borrowed $33.1 million, net of issuance costs, in connection with the amendment of our senior debt, and used $32.9 million to repay portions of our senior debt and the seller notes issued in connection with our acquisition of the businesses of Bons-de-Reduction.com and Poulpeo.com during 2012.

During 2012, we used $20.3 million to repay a portion of our senior debt and extinguish certain notes payable.

Capital Resources

We believe that our existing cash, cash equivalents and cash generated from operations will be sufficient to satisfy our currently anticipated cash requirements through at least the next 12 months.

Our future capital requirements will depend on many factors, including our rate of net revenues growth, the expansion of our marketing and sales initiatives, the timing and extent of spending to support product development efforts, the timing of introductions of new products and services and enhancements to existing

products and services, potential acquisitions, repurchases of our common stock and the continuing market acceptance of our products and services. We may need to raise additional capital through future debt or equity financing to the extent necessary to fund such activities. Additional financing may not be available at all or on terms favorable to us. We may enter into arrangements in the future with respect to investments in, or acquisitions of, similar or complementary businesses, products, services or technologies, which could also require us to seek additional debt or equity financing.

On December 23, 2014, we entered into a second amended and restated revolving credit and term loan agreement with certain lenders, or Senior Debt. The Senior Debt consists of a $125.0 million revolving credit facility, an additional uncommitted revolving credit facility of up to $65.0 million and a $50.0 million term loan facility. The term loan facility was fully borrowed on December 23, 2014, and was used, in part, to fully repay the $26.3 million of borrowings outstanding under our prior senior debt facility, which obligations were repaid in full effective upon the closing of the Senior Debt. On December 31, 2014, we had the full $125.0 million available for borrowings under the revolving credit facility.

We pay a quarterly revolving credit facility fee of 50 basis points per annum. At our option, borrowings under both the term loan facility and the revolving credit facility bear interest at either the base rate or a eurodollar-based rate (each as more fully described in the second amended and restated revolving credit and term loan agreement) plus an applicable margin as determined based on the senior secured debt to EBITDA ratio (as more fully described in the second amended and restated revolving credit and term loan agreement). These rates are summarized in the following table:

Basis for Pricing	Level I	Level II	Level III	Level IV
Consolidated Senior Secured Debt/EBITDA	<1.00:1.00	>1.00:1.00 <1.50:1.00	>1.50:1.00 <2.00:1.00	>2.00:1.00
Revolving Credit Eurodollar Margin (LIBOR)	125 basis points	175 basis points	225 basis points	275 basis points
Revolving Credit Base Rate Margin	25 basis points	75 basis points	125 basis points	175 basis points
Letter of Credit Fees (exclusive of facing fees)	125 basis points	175 basis points	225 basis points	275 basis points
Term Loan Eurodollar Margin (LIBOR)	175 basis points	225 basis points	275 basis points	325 basis points
Term Loan Base Rate Margin	75 basis points	125 basis points	175 basis points	225 basis points

Interest is payable quarterly in arrears for base rate borrowings and on the last day of the applicable eurodollar-interest period for any eurodollar-based borrowings. Principal payments on the term loan facility of $2.5 million are due on the first day of each quarter beginning April 1, 2015, with any remaining balance due in December 2019. Borrowings under the revolving credit facility carry the same maturity date as the $50.0 million term loan. Mandatory prepayments include net cash proceeds from certain asset sales, 100% of the net cash proceeds of any subordinated debt and 50% of the net cash proceeds of certain equity transactions, excluding the cash proceeds from any permitted senior unsecured debt, any equity interests issued under certain stock option or employer incentive plans, and any other equity interests issued if consolidated senior secured debt to EBITDA is less than or equal to 2.00 to 1.00.

The Senior Debt has priority in repayment to all other outstanding debt except certain senior secured notes that we are permitted to issue in the future. We have granted our lenders a security interest in substantially all of our assets, including intellectual property, pursuant to a security agreement and an intellectual property security agreement, except that the security interest shall apply only after the total debt to EBITDA ratio is greater than or equal to 1:50 to 1:00. We are subject to complying with certain financial covenants, including minimum trailing 12 month EBITDA levels, total debt to EBITDA ratio, a fixed charge coverage ratio and a consolidated senior secured debt to EBITDA ratio (each as more fully described in the second amended and restated revolving credit and term loan agreement). The second amended and restated revolving credit and term loan agreement contains

customary affirmative and negative covenants and prohibits, among other things and subject to certain exceptions, the incurrence of additional debt, payment of other debt obligations, incurrence of liens, acquisitions of businesses, capital expenditures, sales of businesses or assets, payment of dividends, repurchases of our capital stock, making loans or advances and certain other restrictions. The exceptions to the foregoing include capital expenditures of up to $20 million in any fiscal year and our right to repurchase up to $100 million of our outstanding capital stock subject to certain conditions set forth in the second amended and restated revolving credit and term loan agreement. The second amended and restated revolving credit and term loan agreement also contains customary events of default including, among others, payment defaults, breaches of covenants, bankruptcy and insolvency events, cross defaults with certain material indebtedness, judgment defaults, change of control and breaches of representations and warranties.

On February 5, 2015 our board of directors authorized the repurchase of up to $100 million worth of our Series 1 common stock over a period of up to 24 months. We plan to fund any purchases under this program from one or a combination of existing cash balances, future cash flow, availability under our revolving credit facility and additional debt financing.

Contractual Obligations

The following table summarizes our future contractual obligations as of December 31, 2014:

	Payment Due By Period				
Contractual Obligations	**Total**	**Less Than 1 Year**	**1-3 Years**	**3-5 Years**	**More Than 5 Years**
	(in thousands)				
Debt obligations (including short-term debt) (1)	$50,000	$ 10,000	$20,000	$20,000	$ —
Operating lease obligations (2)	22,570	3,454	6,990	7,155	4,971
Purchase obligations (3)	5,048	4,313	735	—	—
Capital lease obligations (4)	7	7	—	—	—
Total	$77,625	$ 17,774	$27,725	$27,155	$4,971

(1) These amounts exclude estimated cash interest payments of approximately $1.5 million in 2015, $1.4 million in 2016, $1.2 million in 2017, $1.0 million in 2018 and $0.8 million in 2019 (based on applicable interest rates as of December 31, 2014, in the case of variable interest rate debt).
(2) We lease our principal office facilities, including our headquarters in Austin, Texas, under non-cancellable operating leases. Certain leases contain periodic rent escalation adjustments and renewal and expansion options. We recognize rent expense on a straight-line basis over the lease periods. Operating lease obligations expire at various dates with the latest maturity in 2020. We are also responsible for certain real estate taxes, utilities, and maintenance costs on our office facilities.
(3) Purchase obligations primarily represent non-cancelable contractual obligations related to content licensing and technology agreements.
(4) Some of our office equipment leases such as printers and copiers are treated as capital leases.

Off-Balance Sheet Arrangements

For the years ended December 31, 2014, 2013 and 2012, we did not, and we do not currently, have any off-balance sheet arrangements.

Recently Issued and Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board, or FASB, issued new guidance that supersedes existing revenue recognition requirements. The guidance provides a five-step process to recognize revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration expected in exchange for those goods and services. The guidance requires disclosures enabling users of financial

statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, using one of two retrospective application methods. Early application is not permitted. We are currently evaluating which of the two retrospective application methods we will use and the effect that the adoption of this guidance will have on our financial statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

We have both U.S. and international operations, and we are exposed to market risks in the ordinary course of our business, including the effect of foreign currency fluctuations, interest rate changes and inflation. Information relating to quantitative and qualitative disclosures about these market risks is set forth below.

Foreign Currency Exchange Risk

We transact business in various currencies other than the U.S. dollar, principally the British pound sterling and the Euro, which exposes us to foreign currency risk. Net revenues and related expenses generated from our international operations are denominated in the functional currencies of the corresponding country. The functional currency of each of our non-U.S. subsidiaries that either operate or support these markets is generally the same as the corresponding local currency. For 2014 and 2013, approximately 21.8% and 20.6%, respectively, of our net revenues were denominated in such foreign currencies. We recognized a foreign exchange loss of $0.9 million and a foreign exchange gain of $0.7 million in 2014 and 2013, respectively.

In December 2014, we entered into a forward contract to hedge fluctuations in the value of certain intercompany debt denominated in foreign currencies but did not enter into any derivative financial instruments for trading or speculative purposes. Although we have experienced and will continue to experience fluctuations in our net income as a result of the consolidation of our international operations due to transaction gains (losses) related to revaluing certain cash balances and trade accounts receivable that are denominated in currencies other than the U.S. dollar, we believe such a change will not have a material impact on our results of operations.

We assess our market risk based on changes in foreign currency exchange rates utilizing a sensitivity analysis that measures the potential impact in earnings, fair values and cash flows based on a hypothetical 10% change (increase and decrease) in currency rates. We use a current market pricing model to assess the changes in the value of the U.S. dollar on foreign currency denominated monetary assets and liabilities.

The primary assumption used in these models is a hypothetical 10% weakening or strengthening of the U.S. dollar against all of our currency exposures as of December 31, 2014, assuming instantaneous and parallel shifts in exchange rates. As of December 31, 2014, our working capital surplus (defined as current assets less current liabilities) subject to foreign currency translation risk was $23.0 million. The potential decrease in net current assets from a hypothetical 10.0% adverse change in quoted foreign currency exchange rates would be $2.3 million. This compares to a working capital surplus subject to foreign currency translation risk of $10.9 million as of December 31, 2013, for which a hypothetical 10% adverse change would have resulted in a potential decrease in net current assets of $1.1 million.

Interest Rate Risk

As of December 31, 2014, we had total notes payable of $50.0 million, consisting of variable interest rate debt based on 3-month LIBOR. Our variable interest rate debt is subject to interest rate risk, because our interest payments will fluctuate with movements in the underlying 3-month LIBOR rate. A 100 basis point change in LIBOR rates would result in an increase in our interest expense of $0.5 million for the next 12 months based on current outstanding borrowings.

Our exposure to market risk on our cash and cash equivalents for changes in interest rates is limited because nearly all of our cash and cash equivalents have a short-term maturity and are used primarily for working capital purposes.

Impact of Inflation

We believe that our results of operations are not materially impacted by moderate changes in the inflation rate. Inflation and changing prices did not have a material effect on our business, financial condition or results of operations in 2014, 2013, or 2012.

Item 8. Financial Statements.

The information required by this item is incorporated by reference to the consolidated financial statements and accompanying notes set forth on pages F-1 through F-31 of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act refers to controls and procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to a company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2014, the end of the period covered by this Annual Report on Form 10-K. Based upon such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of such date.

Management's Report on Internal Control Over Financial Reporting and Attestation Report of the Registered Public Accounting Firm

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). Internal control over financial reporting is a process designed by, or under the supervision of, the issuer's principal executive and principal financial officers, or persons performing similar functions, and effected by the issuer's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding

prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that our degree of compliance with the policies or procedures may deteriorate.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of the end of the period covered by this Annual Report on Form 10-K based on the framework in *Internal Control—Integrated Framework (1992)* issued by the Committee of Sponsoring Organization of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2014.

Our independent registered public accounting firm, which has audited our consolidated financial statements, has also audited the effectiveness of our internal control over financial reporting as of December 31, 2014, as stated in their report, which is included in Item 15(a)(1) of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31 2014, which were identified in connection with management's evaluation required by Rules 13a-15(d) and 15d-15(d) under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Controls

Our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives as specified above. Management does not expect, however, that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our company have been detected.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by Part III, Item 10, will be included in our Proxy Statement relating to our 2015 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2014, and is incorporated herein by reference.

Item 11. Executive Compensation

Information required by Part III, Item 11, will be included in our Proxy Statement relating to our 2015 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2014, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information required by Part III, Item 12, will be included in our Proxy Statement relating to our 2015 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2014, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions and Director Independence.

Information required by Part III, Item 13, will be included in our Proxy Statement relating to our 2015 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2014, and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

Information required by Part III, Item 14, will be included in our Proxy Statement relating to our 2015 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2014, and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) Documents Filed with Report

(1) *Financial Statements.*

(2) *Financial Statement Schedules.*

All schedules are omitted because the required information is already included in our notes to our consolidated financial statements or because they are not applicable.

(3) *Exhibits.*

The information required by this Item is set forth on the exhibit index that follows the signature page of this Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 25, 2015

RETAILMENOT, INC.

By: /S/ G. COTTER CUNNINGHAM
G. Cotter Cunningham
President and Chief Executive Officer

SIGNATURES AND POWER OF ATTORNEY

Each person whose individual signature appears below hereby authorizes and appoints G. Cotter Cunningham and Louis J. Agnese, III, and each of them, with full power of substitution and resubstitution and full power to act without the other, as his or her true and lawful attorney-in-fact and agent to act in his or her name, place and stead and to execute in the name and on behalf of each person, individually and in each capacity stated below, and to file any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing, ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated.

Signature	Title	Date
/S/ G. COTTER CUNNINGHAM *G. Cotter Cunningham*	President, Chief Executive Officer (Principal Executive Officer) and Director	February 25, 2015
/S/ LOUIS J. AGNESE *Louis J. Agnese*	Interim Chief Financial Officer (Principal Financial Officer)	February 25, 2015
/S/ THOMAS E. AYLOR *Thomas E. Aylor*	Principal Accounting Officer	February 25, 2015
/S/ C. THOMAS BALL *C. Thomas Ball*	Director	February 25, 2015
/S/ JEFFREY M. CROWE *Jeffrey M. Crowe*	Director	February 25, 2015
/S/ ERIC KORMAN *Eric Korman*	Director	February 25, 2015
/S/ JULES A. MALTZ *Jules A. Maltz*	Director	February 25, 2015
/S/ GOKUL RAJARAM *Gokul Rajaram*	Director	February 25, 2015
/S/ GREG J. SANTORA *Greg J. Santora*	Director	February 25, 2015
/S/ BRIAN H. SHARPLES *Brian H. Sharples*	Director	February 25, 2015

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of RetailMeNot, Inc.

We have audited the accompanying consolidated balance sheets of RetailMeNot, Inc. and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of RetailMeNot, Inc. and subsidiaries at December 31, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), RetailMeNot, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 25, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Austin, Texas
February 25, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of RetailMeNot, Inc.

We have audited RetailMeNot, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). RetailMeNot, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, RetailMeNot, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of RetailMeNot, Inc. and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2014 and our report dated February 25, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Austin, Texas
February 25, 2015

Table of Contents

RETAILMENOT, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	December 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 244,482	$ 165,881
Accounts receivable (net of allowance for doubtful accounts of $2,356 and $867 at December 31, 2014 and 2013, respectively)	69,603	59,286
Prepaids and other current assets, net	14,930	10,661
Total current assets	329,015	235,828
Property and equipment, net	16,949	10,317
Intangible assets, net	70,819	80,813
Goodwill	176,927	179,659
Other assets, net	5,394	5,465
Total assets	$ 599,104	$ 512,082
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 5,482	$ 6,217
Accrued compensation and benefits	12,138	9,875
Accrued expenses and other current liabilities	6,110	5,586
Income taxes payable	9,032	4,835
Current maturities of long term debt	10,000	15,063
Total current liabilities	42,762	41,576
Deferred tax liability—noncurrent	3,404	8,796
Long term debt	40,000	26,250
Other noncurrent liabilities	8,183	4,151
Total liabilities	94,349	80,773
Commitments and contingencies		
Stockholders' equity:		
Preferred stock: $0.001 par value; 10,000,000 shares authorized, no shares issued and outstanding as of December 31, 2014 and 2013.	—	—
Series 1 common stock: $0.001 par value, 150,000,000 shares authorized; 54,253,452 and 46,569,376 shares issued and outstanding as of December 31, 2014 and 2013, respectively.	54	47
Series 2 common stock: $0.001 par value, 6,107,494 shares authorized; zero and 6,107,494 shares issued and outstanding as of December 31, 2014 and 2013, respectively.	—	6
Additional paid-in capital	517,421	467,461
Accumulated other comprehensive income (loss)	(1,942)	1,538
Accumulated deficit	(10,778)	(37,743)
Total stockholders' equity	504,755	431,309
Total liabilities and stockholders' equity	$ 599,104	$ 512,082

See the accompanying notes, which are an integral part of these Consolidated Financial Statements.

RETAILMENOT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Year Ended December 31, 2014	2013	2012
Net revenues	$ 264,683	$ 209,836	$ 144,685
Costs and expenses:			
Cost of net revenues	18,617	13,049	9,113
Product development	47,882	30,566	14,481
Sales and marketing	90,062	70,303	40,672
General and administrative	42,343	28,583	15,758
Amortization of purchased intangible assets	12,243	12,081	13,158
Other operating expenses	4,065	2,525	6,006
Total costs and expenses	215,212	157,107	99,188
Income from operations	49,471	52,729	45,497
Other income (expense):			
Interest expense, net	(1,981)	(2,980)	(3,221)
Other income (expense), net	(1,102)	672	77
Income before income taxes	46,388	50,421	42,353
Provision for income taxes	(19,423)	(18,891)	(16,360)
Net income	$ 26,965	$ 31,530	$ 25,993
Preferred stock dividends on participating preferred stock	—	(19,928)	(24,577)
Total undistributed earnings	26,965	11,602	1,416
Undistributed earnings allocated to participating preferred stock	—	(5,998)	(1,390)
Net income attributable to common stockholders	$ 26,965	$ 5,604	$ 26
Net income per share attributable to common stockholders:			
Basic	$ 0.50	$ 0.24	$ 0.03
Diluted	$ 0.49	$ 0.23	$ 0.03
Weighted-average number of common shares used in computing net income per share:			
Basic	53,792	23,074	841
Diluted	55,311	25,742	2,277

See the accompanying notes, which are an integral part of these Consolidated Financial Statements.

Table of Contents

RETAILMENOT, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Year Ended December 31,		
	2014	2013	2012
Net income	$26,965	$31,530	$ 25,993
Other comprehensive income, net of tax:			
Foreign currency translation adjustments	(3,480)	2,081	1,749
Comprehensive income	$23,485	$33,611	$ 27,742

See the accompanying notes, which are an integral part of these Consolidated Financial Statements.

RETAILMENOT, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(in thousands, except share amounts)

	Series 1 Common Stock		Series 2 Common Stock					
	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholder's Equity (Deficit)
Balance at December 31, 2011	849,729	$ 1	—	—	$ 4,176	$ (50,826)	$ (2,292)	$ (48,941)
Net income	—	—	—	—	—	25,993		25,993
Foreign currency translation adjustment	—	—	—	—	—	—	1,749	1,749
Exercise of stock options	98,224	—	—	—	355	—	—	355
Stock—based compensation expense	—	—	—	—	4,048	—	—	4,048
Accretion of preferred stock dividends	—	—	—	—	—	(24,577)	—	(24,577)
Balance at December 31, 2012	947,953	1	—	—	8,579	(49,410)	(543)	(41,373)
Net income	—	—	—	—	—	31,530	—	31,530
Issuance of common stock upon initial public offering, net of offering costs	4,545,454	5	—	—	85,360	—	—	85,365
Issuance of common stock upon follow-on offering, net of offering costs	2,000,000	2	—	—	49,105	—	—	49,107
Conversion of preferred stock to common stock upon initial public offering	38,072,967	38	6,107,494	6	310,165	—	—	310,209
Foreign currency translation adjustment	—	—	—	—	—	—	2,081	2,081
Exercise of common stock warrant	457,796	—	—	—	1	—	—	1
Stock issuances under employee plans, net of shares withheld for taxes	545,206	1	—	—	1,716	—	—	1,717
Stock-based compensation expense	—	—	—	—	10,507	—	—	10,507
Excess income tax benefit from stock-based compensation	—	—	—	—	2,028	—	—	2,028
Accretion of preferred stock dividends	—	—	—	—	—	(19,863)	—	(19,863)
Balance at December 31, 2013	46,569,376	47	6,107,494	6	467,461	(37,743)	1,538	431,309
Net income	—	—	—	—	—	26,965	—	26,965
Foreign currency translation adjustment	—	—	—	—	—	—	(3,480)	(3,480)
Conversion of Series 2 common stock to Series 1 common stock	6,107,494	6	(6,107,494)	(6)	—	—	—	—
Payments of offering costs for follow-on offering	—	—	—	—	(59)	—	—	(59)
Stock issuances under employee plans, net of shares withheld for taxes	1,576,582	1	—	—	13,309	—	—	13,310
Stock-based compensation expense	—	—	—	—	24,518	—	—	24,518
Excess income tax benefit from stock-based compensation and other	—	—	—	—	12,192	—	—	12,192
Balance at December 31, 2014	54,253,452	$ 54	—	$ —	$ 517,421	$ (10,778)	$ (1,942)	$ 504,755

See the accompanying notes, which are an integral part of these Consolidated Financial Statements.

RETAILMENOT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31, 2014	2013	2012
Cash flows from operating activities:			
Net income	$ 26,965	$ 31,530	$ 25,993
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	15,746	14,112	14,192
Stock-based compensation expense	24,518	10,507	4,048
Deferred income tax benefit	(4,169)	(2,828)	(1,796)
Excess income tax benefit from stock-based compensation and other	(12,192)	(2,028)	—
Non-cash interest expense	603	996	816
Impairment of assets	—	—	4,924
Amortization of deferred compensation	3,978	2,527	1,082
Other non-cash gains and losses, net	1,011	91	(104)
Provision for doubtful accounts receivable	3,319	180	604
Changes in operating assets and liabilities:			
Accounts receivable, net	(14,540)	(25,747)	(9,285)
Prepaid expenses and other current assets, net	(2,903)	(5,873)	(983)
Accounts payable	857	1,209	2,975
Accrued expenses and other current liabilities	15,757	9,966	(251)
Other noncurrent assets and liabilities	2,445	(3,112)	38
Net cash provided by operating activities	61,395	31,530	42,253
Cash flows from investing activities:			
Payments for acquisition of businesses, net of acquired cash	(75)	(28,613)	(10,290)
Purchase of property and equipment	(9,498)	(6,487)	(3,089)
Purchase of other assets	(3,476)	(1,796)	—
Net cash used in investing activities	(13,049)	(36,896)	(13,379)
Cash flows from financing activities:			
Proceeds from initial public offering, net of offering costs	—	85,365	—
Proceeds from follow-on offering, net of offering costs	—	49,107	—
Payment of offering costs for follow-on offering	(59)	—	—
Payments of preferred stock dividends	—	(58,682)	—
Proceeds from notes payable, net of issuance costs	49,150	33,069	—
Payments on notes payable	(41,273)	(38,925)	(20,333)
Proceeds from exercise of options and warrants to purchase common stock	11,454	1,753	251
Excess income tax benefit from stock-based compensation and other	12,192	2,028	—
Payments for repurchase of common stock	(7)	—	—
Payments of principal on capital lease arrangements	(13)	(11)	—
Net cash provided by (used in) financing activities	31,444	73,704	(20,082)
Effect of foreign currency exchange rate on cash	(1,189)	401	116
Change in cash and cash equivalents	78,601	68,739	8,908
Cash and cash equivalents, beginning of year	165,881	97,142	88,234
Cash and cash equivalents, end of year	$244,482	$165,881	$ 97,142
Supplemental disclosure of cash flow information			
Cash interest payments	$ 2,246	$ 1,777	$ 2,136
Income tax payments, net	$ 10,169	$ 16,087	$ 22,080
Supplemental disclosure of non-cash investing activities			
Issuance of preferred stock in connection with acquisition	$ —	$ —	$ 3,000
Issuance of notes payable in connection with acquisition	$ —	$ 6,085	$ 3,500
Supplemental disclosure of non-cash financing activities			
Accretion of preferred stock dividends	$ —	$ 19,928	$ 24,577

See the accompanying notes, which are an integral part of these Consolidated Financial Statements.

RETAILMENOT, INC.
Notes to Consolidated Financial Statements

1. Description of Business

We operate the world's largest marketplace for digital offers, including the largest digital offer marketplace in the U.S., RetailMeNot.com, and in the U.K., VoucherCodes.co.uk, and the largest portfolio of digital offer websites in France, Bons-de-Reduction.com, Poulpeo.com and Ma-Reduc.com, connecting consumers with leading retailers and brands. Our websites, mobile applications, email newsletters and alerts and social media presence enable consumers to search for, discover and redeem relevant digital offers from retailers and brands. Our marketplace features digital offers across multiple product categories, including clothing and shoes; electronics; health and beauty; home and office; travel, food and entertainment; and personal and business services. We believe our investments in digital offer content quality, product innovation and direct retailer relationships allow us to offer a compelling experience to consumers looking to save money, whether online or in-store.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The consolidated financial statements include the accounts of the Company and our wholly owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. All significant intercompany transactions and balances have been eliminated.

Significant Estimates and Judgments

The preparation of our consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of net revenues and expenses during the reporting periods. These estimates and assumptions could have a material effect on our future results of operations and financial position. Significant items subject to our estimates and assumptions include stock-based compensation, income taxes, valuation of acquired goodwill and intangible assets, allowance for doubtful accounts, revenue returns reserve, unrecognized tax benefits, acquisition-related contingent liabilities and the useful lives of property and equipment and intangible assets. As a result, actual amounts could differ from those presented herein.

Business Segment

We have one operating and reporting segment consisting of various products and services that are all related to our marketplace for digital offers. Our chief operating decision maker is our Chief Executive Officer. Our Chief Executive Officer allocates resources and assesses performance of the business and other activities at a single reporting segment level.

Cash and Cash Equivalents

All highly-liquid investments with an original maturity of three months or less at the date of purchase are considered to be cash equivalents.

Accounts Receivable, Net

Accounts receivable, net represent amounts due from retailers, through various performance marketing networks, for commissions earned on consumer purchases and amounts due for premium placement advertising. We record an allowance for doubtful accounts in an amount equal to the estimated probable losses net of recoveries, which

are based on an analysis of historical bad debt, current receivables aging and expected future write-offs of uncollectible accounts, as well as an assessment of specific identifiable accounts considered at risk or uncollectible. Accounts receivable are written off against the allowance for doubtful accounts when it is determined that the receivable is uncollectible.

The following table summarizes our allowance for doubtful accounts (in thousands):

	Beginning Balance	Additions Charged to Expense	Write-offs	Ending Balance
Allowance for doubtful accounts:				
Year ended December 31, 2012	$ 295	639	(1)	$ 933
Year ended December 31, 2013	933	180	(246)	867
Year ended December 31, 2014	867	3,319	(1,830)	2,356

Property and Equipment, Net

Property and equipment, net includes assets such as furniture and fixtures, leasehold improvements, computer hardware, office and telephone equipment and certain capitalized internally developed software and website development costs. We record property and equipment at cost less accumulated depreciation and amortization, using the straight-line method. Ordinary maintenance and repairs are charged to expense, while expenditures that extend the physical or economic life of the assets are capitalized. Property and equipment are depreciated over their estimated economic lives, which range from three to five years, using the straight-line method. Leasehold improvements are amortized over the shorter of the estimated useful lives of the improvements or the lease term. Capitalized internally developed software and website development costs are depreciated over their estimated useful lives, which range from two to three years. We perform reviews for the impairment of property and equipment when management believes events or circumstances indicate the carrying amount of an asset may not be recoverable.

Goodwill and Other Intangible Assets

Goodwill arises from business combinations and is measured as the excess of the cost of the business acquired over the sum of the acquisition-date fair values of tangible and identifiable intangible assets acquired, less any liabilities assumed.

We evaluate goodwill for impairment annually on October 1, during the fourth quarter of each year, or more frequently when an event occurs or circumstances change that indicates the carrying value may not be recoverable. Events or circumstances that could trigger an impairment test include, but are not limited to, a significant adverse change in the business climate or in legal factors, an adverse action or assessment by a regulator, a loss of key personnel, significant changes in our use of the acquired assets or the strategy for our overall business, significant negative industry or economic trends, significant underperformance relative to operating performance indicators and significant changes in competition. The Company determined that no triggering events occurred during the year ended December 31, 2014.

We evaluate the recoverability of goodwill using a two-step impairment process tested at our sole reporting segment level. In the first step, the fair value for our reporting unit is compared to our book value including goodwill. If the fair value is less than the book value, a second step is performed that compares the implied fair value of goodwill to the book value of the goodwill. The fair value for the implied goodwill is determined based on the difference between the fair value of the sole reporting segment and the net fair value of the identifiable assets and liabilities excluding goodwill. If the implied fair value of the goodwill is less than the book value, the difference is recognized as an impairment charge in the consolidated statements of operations. We did not record any goodwill impairment charges during the years ended December 31, 2014, 2013 and 2012.

Identifiable intangible assets consist of acquired customer intangible assets, marketing-related intangible assets, contract-based intangible assets, and technology-based intangible assets. Intangible assets with definite lives are amortized over their estimated useful lives on a straight-line or accelerated basis. See Note 4, "Goodwill and Other Intangible Assets". The method of amortization applied represents our best estimate of the distribution of the economic value of the identifiable intangible assets. The factors we consider in determining the useful lives of identifiable intangible assets included the extent to which expected future cash flows would be affected by our intent and ability to retain use of these assets, including the period of time that would capture 90% or more of the assets value on a perpetuity basis.

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of intangible assets may not be recoverable. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or any other significant adverse change that would indicate that the carrying amount of an asset or group of assets may not be recoverable. When such events occur, we compare the carrying amounts of the assets to their undiscounted cash flows. If this comparison indicates that there is impairment, the amount of the impairment is calculated as the difference between the carrying value and the fair value.

Deferred Financing Costs

We capitalize underwriting, legal and other direct costs incurred related to the issuance of debt, which are recorded as deferred charges and amortized to interest expense over the term of the related debt using the effective interest method. Upon the extinguishment of the related debt, any unamortized capitalized deferred financing costs are recorded to interest expense.

Lease Obligations

We categorize leases at their inception as either operating or capital leases, and may receive renewal or expansion options, rent holidays, leasehold improvement allowances and other incentives on certain lease agreements. We recognize operating lease costs on a straight-line basis over the term of the agreement, taking into account adjustments for market provisions, such as free or escalating base monthly rental payments, or deferred payment terms, such as rent holidays, that defer the commencement date of required payments. We record rent expense associated with operating lease obligations in general and administrative expenses in the consolidated statements of operations.

Revenue Recognition

We recognize revenue when persuasive evidence of an arrangement exists, services have been rendered, the fee to the paid retailer is fixed or determinable and collectability of the resulting receivable is reasonably assured. For commission revenues, which represent the substantial majority of our net revenues, revenue recognition generally occurs when a consumer, having visited one of our websites and clicked on a digital offer for a paid retailer, defined as a retailer with which we have a contract, makes a purchase with such paid retailer, and completion of the order is reported to us by such paid retailer, either directly or through a performance marketing network. The reporting by the paid retailer includes the amount of commissions the paid retailer has calculated as owing to us. Certain paid retailers do not provide reporting until a commission payment is made. In those cases, which have historically not been significant, we record commission revenues on a cash basis. For advertising revenues, revenue recognition occurs ratably over the period that we display a retailer's advertisements on our websites and mobile applications. We estimate and record a reserve, based upon actual, historical return rates as reported to us by the paid retailers, to provide for end-user cancelations or product returns, which may not be

reported by the paid retailer or performance marketing network until a subsequent date. As such, we report commission revenues net of the estimated returns reserve. Net revenues are reported net of sales taxes, where applicable. The following table summarizes our revenue returns reserve (in thousands):

	Beginning Balance	Provision for Returns	Returns	Ending Balance
Revenue returns reserve:				
Year ended December 31, 2012	$ 670	$ 6,337	$ (5,780)	$ 1,227
Year ended December 31, 2013	1,227	10,113	(8,175)	3,165
Year ended December 31, 2014	3,165	10,679	(11,338)	2,506

Our payment arrangements with paid retailers are both direct and through performance marketing networks, which act as intermediaries between the paid retailers and us. No paid retailer individually accounted for more than 10% of net revenues or accounts receivable for any of the years ended December 31, 2014, 2013 and 2012.

Cost of Net Revenues

Cost of net revenues is composed of direct and indirect costs incurred to generate revenue. These costs consist of personnel costs of our salaried merchandising and technology support employees and fees paid to third-party contractors engaged in the operation and maintenance of our existing websites and mobile applications. Such technology costs also include website hosting and Internet service costs. Other costs include allocated facility and general information technology costs.

Sales and Marketing Expense

Our sales and marketing expense consists of personnel costs for our sales, marketing, search engine optimization, search engine marketing and business intelligence employees, as well as online, brand and other marketing expenses. Our online, brand and other marketing costs include search engine fees, advertising on social networks, television advertising, promotions, display advertisements, creative development fees, public relations, email campaigns, trade shows and other general marketing costs. Other costs include allocated facility and general information technology costs.

Advertising Expenses

We expense all advertising costs as incurred. Advertising expenses included in sales and marketing expense were $23.1 million, $22.2 million and $13.2 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Product Development

Our product development expense consists primarily of personnel costs of our product management and software engineering teams, as well as fees paid to third-party contractors and consultants engaged in the design, development, testing and improvement of the functionality and user experience of our websites and mobile applications.

General and Administrative Expense

Our general and administrative expense represents personnel costs for employees involved in general corporate functions, including finance, accounting, legal and human resources, among others. Additional costs included in general and administrative expense include professional fees for legal, audit and other consulting services, the provision for doubtful accounts receivable, travel and entertainment, charitable contributions, recruiting, allocated facility and general information technology costs and other general corporate overhead expenses.

Stock-Based Compensation Expense

Stock-based compensation expense is measured at the grant date based on the estimated fair value of the award, net of estimated forfeitures. We recognize these compensation costs on a straight-line basis over the requisite service period of the award. Forfeiture rates are estimated at grant date based on historical experience and adjusted in subsequent periods for differences in actual forfeitures from those estimates. We include stock-based compensation expense in cost of net revenues and operating expenses in our consolidated statements of operations, consistent with the respective employees' cash compensation. We determine the fair value of stock options on the grant date using the Black-Scholes-Merton valuation model.

Fair Value of Financial Instruments

The carrying amounts of our financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and notes payable, approximate fair value due to the instruments' short-term maturities or, in the case of the long-term notes payable, based on the variable interest rate feature. We record derivative liabilities at fair value.

Income Taxes

The provision for income taxes is determined using the asset and liability method. Deferred tax assets and liabilities are calculated based upon the temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using the enacted tax rates that are applicable in a given year. The deferred tax assets are recorded net of a valuation allowance when, based on the available supporting evidence, we believe it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods.

The Company may be subject to income tax audits by the respective tax authorities in any or all of the jurisdictions in which the Company operates, including the United States, the United Kingdom, France, Germany, and the Netherlands. Significant judgment is required in determining uncertain tax positions. We utilize a two-step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes. We adjust these reserves in light of changing facts and circumstances, such as the closing of an audit or the refinement of an estimate. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. We include interest and penalties related to uncertain tax positions in the provision for income taxes on our consolidated statements of operations. See Note 12, "Income Taxes."

Foreign Currency

Our operations outside of the U.S. generally use the local currency as their functional currency. Assets and liabilities for these operations are translated at exchange rates in effect at the balance sheet date. Income and expense accounts are translated at average exchange rates for the period. Foreign currency translation adjustments are recorded in accumulated other comprehensive income (loss). Gains and losses from foreign currency denominated transactions, which were a $0.9 million loss, net, in 2014, a $0.7 million gain, net, in 2013 and not significant in 2012, are recorded in other income (expense), net in our consolidated statements of operations.

Derivative Financial Instruments

Our operations outside of the U.S. expose us to various market risks that may affect our consolidated results of operations, cash flows and financial position. These market risks include, but are not limited to, fluctuations in

currency exchange rates. Our primary foreign currency exposures are in Euros and British Pound Sterling. As a result, we face exposure to adverse movements in currency exchange rates as the financial results of our operations are translated from local currency into U.S. dollars upon consolidation.

We have entered into a derivative instrument to hedge certain exposures of nonfunctional currency denominated intercompany loans and may enter into further such instruments in the future. We have not elected to apply hedge accounting or hedge accounting does not apply. Gains and losses resulting from a change in fair value for these derivatives are reflected in the period in which the change occurs and are recorded in other income (expense), net in our consolidated statement of operations. During the year ended December 31, 2014, we recorded a gain of $0.2 million related to our foreign exchange derivative instruments. The fair value and notional principal amount of our outstanding foreign exchange derivative instrument as of December 31, 2014 are $0.0 and $9.0 million, respectively. We did not enter into any foreign exchange derivative instruments prior to the year ended December 31, 2014.

We do not use financial instruments for trading or speculative purposes. Derivative instruments are recorded on the balance sheet at fair value and are short-term in duration. We are exposed to the risk that counterparties to derivative contracts may fail to meet their contractual obligations.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board, or FASB, issued new guidance that supersedes existing revenue recognition requirements. The guidance provides a five-step process to recognize revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration expected in exchange for those goods and services. The guidance requires disclosures enabling users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, using one of two retrospective application methods. Early application is not permitted. We are currently evaluating which of the two retrospective application methods we will use and the effect that the adoption of this guidance will have on our financial statements.

3. Acquisitions

The following table summarizes our acquisitions during the year ended December 31, 2013, with amounts shown below at fair value at each respective acquisition date (dollars in thousands). We did not complete any significant acquisitions during the year ended December 31, 2014.

Year acquired	YSL Ventures, Inc. 2013	Ma-Reduc.com 2013	Actiepagina.nl 2013
Cash acquired	$ 206	$ 530	$ 64
Other tangible assets acquired	73	1,376	2
Identifiable intangible assets			
Customer relationships	—	296	192
Marketing-related	—	6,231	896
Contract-based	1,772	263	187
Technology-based	1,480	564	207
Goodwill	8,796	14,530	1,597
Total assets acquired	12,327	23,790	3,145
Total liabilities assumed	(763)	(3,002)	—
Total	$ 11,564	$ 20,788	$ 3,145

Tangible assets, which include cash and cash equivalents and accounts receivable, were valued at their respective carrying amounts, which we believe approximate their fair values at the respective acquisition dates. The liabilities assumed in connection with these acquisitions, which were recorded at their fair value at the acquisition dates, include accrued liabilities, accounts payable and deferred tax liabilities. For all acquisitions, goodwill represents the excess of the purchase price over the aggregate fair value of the net identifiable assets acquired. In connection with our acquisition efforts we incurred approximately $0.1 million, $1.4 million and $0.6 million in direct acquisition costs in the years ended December 31, 2014, 2013 and 2012, respectively, all of which were expensed as incurred and are included in general and administrative expenses on the consolidated statements of operations.

Goodwill resulted primarily from acquiring a business in a market characterized by high profitability, numerous participants, with none having a dominant market position and specialized processes and procedures, none of which qualify as a separate intangible asset.

The valuation of identifiable intangible assets acquired reflects our estimates based on, among other factors, use of established valuation methods. The value of customer relationships was determined using the income approach. The value of marketing-related intangible assets was determined using the relief from royalty method. Contract-based intangible assets have been valued based on an income-based approach, specifically the with/without method. The value of acquired technology was determined based on a cost-to-recreate methodology. Identifiable intangible assets with definite lives are amortized over the period of estimated benefit using the straight-line or accelerated method and the estimated useful lives of one to 15 years. The method of amortization applied represents our best estimate of the distribution of the economic value of the identifiable intangible assets.

The acquired marketing-related intangible assets consist primarily of trade names, domain names and well-developed traffic acquisition strategies. These trade and domain names play a pivotal role in generating visits and consumer leads for retailers. In addition, the traffic acquisition methodologies such as search engine optimization processes and techniques, email subscriber lists and campaign processes and other direct marketing capabilities also contribute significantly to generating consumer leads and visits. Our intent is to use the brand and domain names for the foreseeable future and to build upon the established traffic-acquisition methodologies. Accordingly, we utilized a 15 year useful life to both value and amortize these assets.

The acquired customer-related intangible assets consist solely of contracts with retailers. The businesses we acquired typically had relationships with a substantial portion of the major online retailers that offered digital coupons through affiliate marketing relationships. The customer relationships were valued predominantly using an income approach (multi-period excess earnings method.) Based on the attrition factors applied, the expected useful life of customer relationships from this income approach is 15 years. Although the contracts we enter into with retailers are cancelable upon short or no notice and without penalty, we determined the useful life of these relationships to be longer-term in nature based upon consideration of several factors. These factors included the fact that couponing has been used in-store by retailers for an extended period; the growth in revenues of the acquired businesses which indicated growing use of coupons by retailers and consumers; the higher level of retailer relationship management that we provide as compared to the periods prior to acquisition; and historically low attrition rates. Based on these factors, we determined that the useful life of these relationships would extend to the foreseeable future and, accordingly, utilized a period of 15 years both to value and amortize these assets.

YSL Ventures, Inc.

On October 9, 2013, we acquired 100% of the outstanding capital stock of YSL Ventures, Inc., a private company that operated under the name Zendeals, for $11.6 million of cash consideration.

In conjunction with the acquisition of YSL Ventures, Inc., we entered into deferred compensation arrangements with the former owners of YSL Ventures, Inc., at which time we transferred $6.2 million into an escrow account, to be paid to the owners over a two year period, with $3.1 million paid in October 2014, and the remainder to be paid in equal quarterly installments over the following year, contingent upon the former employees' continued employment with RetailMeNot.

The goodwill resulting from the acquisition of YSL Ventures, Inc. is not deductible for tax purposes.

Ma-Reduc.com

On July 1, 2013, our wholly owned subsidiary, RetailMeNot, France, acquired 100% of the outstanding capital stock of ABCYNE, a private company and the operator of Ma-Reduc.com, a digital coupon website in France. The total purchase price of $20.8 million was comprised of: (i) $15.0 million initial cash consideration, (ii) notes payable issued by RetailMeNot, France, with an aggregate principal amount of $4.9 million to the shareholders, bearing interest at a rate of 3.0% per annum and due, and paid in full, in 2014 and (iii) additional cash consideration for working capital of $0.9 million.

The goodwill resulting from the acquisition of Ma-Reduc.com is not deductible for tax purposes.

Actiepagina.nl

On March 1, 2013, we acquired certain assets and liabilities of Actiepagina B.V. associated with Actiepagina.nl, its website based in the Netherlands. The total purchase price of $3.1 million was comprised of: (i) $2.0 million cash consideration and (ii) a $1.1 million note payable issued to the seller, due, and paid in full, in 2014.

The resulting goodwill from the acquisition of Actiepagina.nl is not deductible for tax purposes.

4. Goodwill and Other Intangible Assets

Changes in our goodwill balance for the years ended December 31, 2014 and 2013 are summarized in the table below (in thousands).

Balance at December 31, 2012	$ 152,755
Acquired in business combinations	24,923
Foreign currency translation adjustment	1,981
Balance at December 31, 2013	179,659
Acquired in business combinations	75
Foreign currency translation adjustment	(2,807)
Balance at December 31, 2014	$ 176,927

Intangible assets consisted of the following as of December 31, 2014 and 2013 (in thousands):

	Weighted-Average Amortization Period (Months)	Estimated Useful Life (Months)	December 31, 2014 Gross	Accumulated Amortization	Net
Customer relationships	180	180	$ 16,156	$ (4,439)	$11,717
Marketing-related	160	48-180	77,379	(22,636)	54,743
Contract-based	58	12-60	19,808	(15,449)	4,359
Technology-based	12	12	7,773	(7,773)	—
Total intangible assets			$121,116	$ (50,297)	$70,819

	Weighted-Average Amortization Period (Months)	Estimated Useful Life (Months)	December 31, 2013		
			Gross	Accumulated Amortization	Net
Customer relationships	180	180	$ 16,244	$ (3,368)	$12,876
Marketing-related	165	48-180	75,182	(17,035)	58,147
Contract-based	58	12-60	19,875	(11,528)	8,347
Technology-based	12	12	7,937	(6,494)	1,443
Total intangible assets			$119,238	$ (38,425)	$80,813

As of December 31, 2014 and 2013, the weighted-average amortization period for definite-lived intangible assets was 11.4 and 11.6 years, respectively. Estimated amortization of intangible assets for the five years subsequent to December 31, 2014 and thereafter is as follows (in thousands):

2015	$10,202
2016	7,232
2017	7,198
2018	6,979
2019	6,142
Thereafter	33,066
	$70,819

5. Property and Equipment, Net

Property and equipment consisted of the following as of December 31, 2014 and 2013 (in thousands):

	Estimated Useful Life (Years)	2014	2013
Computer hardware	3	$ 2,583	$ 1,886
Purchased software	3	1,319	1,222
Office equipment	3	565	430
Internally developed software and website development costs	2-3	2,612	—
Office furniture and fixtures	5	4,487	2,885
Leasehold improvements	5	11,872	7,361
		23,438	13,784
Less: Accumulated amortization and depreciation		(6,489)	(3,467)
Net property and equipment		$16,949	$10,317

Depreciation and amortization expense related to property and equipment was $3.5 million, $2.0 million and $1.0 million for the years ended December 31, 2014, 2013 and 2012, respectively. This amount includes $0.1 million of depreciation expense on internally developed software and website development costs for the year ended December 31, 2014. We did not capitalize or recognize any depreciation expense related to any internally developed software and website development costs prior to the year ended December 31, 2014.

We recorded no impairment of property and equipment and recorded no significant gains or losses on the disposal of property and equipment during the years ended December 31, 2014, 2013 and 2012, respectively.

6. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following as of December 31, 2014 and 2013 (in thousands):

	2014	2013
Marketing and professional services	$2,606	$2,214
Taxes other than income taxes	1,398	1,302
Interest payable	50	751
Other	2,056	1,319
	$6,110	$5,586

7. Long Term Debt

Long-term debt consisted of the following as of December 31, 2014 and 2013 (in thousands):

	2014	2013
Senior secured note due 2019—interest rate of 2.0% at December 31, 2014	$ 50,000	$ —
Senior revolving credit facility due 2019	—	—
Senior secured note due 2018—interest rate of 2.9% at December 31, 2013	—	33,250
Unsecured seller note due 2014—interest rate of 3.0% at December 31, 2013	—	5,163
Unsecured promissory notes due 2014—interest rate of 5.0% at December 31, 2013	—	1,750
Unsecured seller note due 2014—interest rate of 4.0% at December 31, 2013	—	1,150
	50,000	41,313
Less current maturities	(10,000)	(15,063)
Total long-term debt	$ 40,000	$ 26,250

Senior Debt

On December 23, 2014, we entered into a second amended and restated revolving credit and term loan agreement with certain lenders, or Senior Debt. The Senior Debt consists of a $125.0 million revolving credit facility, an additional uncommitted revolving credit facility of up to $65.0 million and a $50.0 million term loan facility. The term loan facility was fully borrowed on December 23, 2014, and was used, in part, to fully repay the $26.3 million of borrowings outstanding under our prior senior debt facility, which obligations were repaid in full effective upon the closing of the Senior Debt. On December 31, 2014, we had the full $125.0 million available for borrowings under the revolving credit facility.

We pay a quarterly revolving credit facility fee of 50 basis points per annum. At our option, borrowings under both the term loan facility and the revolving credit facility bear interest at either the base rate or a eurodollar-based rate (each as more fully described in the second amended and restated revolving credit and term loan agreement) plus an applicable margin as determined based on the senior secured debt to EBITDA ratio (as more fully described in the second amended and restated revolving credit and term loan agreement). These rates are summarized in the following table:

Basis for Pricing	Level I	Level II	Level III	Level IV
Consolidated Senior Secured Debt/EBITDA	<1.00:1.00	>1.00:1.00 <1.50:1.00	>1.50:1.00 <2.00:1.00	>2.00:1.00
Revolving Credit Eurodollar Margin (LIBOR)	125 basis points	175 basis points	225 basis points	275 basis points
Revolving Credit Base Rate Margin	25 basis points	75 basis points	125 basis points	175 basis points
Letter of Credit Fees (exclusive of facing fees)	125 basis points	175 basis points	225 basis points	275 basis points
Term Loan Eurodollar Margin (LIBOR)	175 basis points	225 basis points	275 basis points	325 basis points
Term Loan Base Rate Margin	75 basis points	125 basis points	175 basis points	225 basis points

Interest is payable quarterly in arrears for base rate borrowings and on the last day of the applicable eurodollar-interest period for any eurodollar-based borrowings. Principal payments on the term loan facility of $2.5 million are due on the first day of each quarter beginning April1, 2015, with any remaining balance due in December 2019. Borrowings under the revolving credit facility carry the same maturity date as the $50.0 million term loan. Mandatory prepayments include net cash proceeds from certain asset sales, 100% of the net cash proceeds of any subordinated debt and 50% of the net cash proceeds of certain equity transactions, excluding the cash proceeds from any permitted senior unsecured debt, any equity interests issued under certain stock option or employer incentive plans, and any other equity interests issued if consolidated senior secured debt to EBITDA is less than or equal to 2.00 to 1.00.

The Senior Debt has priority in repayment to all other outstanding debt except certain senior secured notes that we are permitted to issue in the future. We have granted our lenders a security interest in substantially all of our assets, including intellectual property, pursuant to a security agreement and an intellectual property security agreement, except that the security interest shall apply only after the total debt to EBITDA ratio is greater than or equal to 1:50 to 1:00. We are subject to complying with certain financial covenants, including minimum trailing 12 month EBITDA levels, total debt to EBITDA ratio, a fixed charge coverage ratio and a consolidated senior secured debt to EBITDA ratio (each as more fully described in the second amended and restated revolving credit and term loan agreement). The second amended and restated revolving credit and term loan agreement contains customary affirmative and negative covenants and prohibits, among other things and subject to certain exceptions, the incurrence of additional debt, payment of other debt obligations, incurrence of liens, acquisitions of businesses, capital expenditures, sales of businesses or assets, payment of dividends, repurchases of our capital stock, making loans or advances and certain other restrictions. The exceptions to the foregoing include capital expenditures of up to $20 million in any fiscal year and our right to repurchase up to $100 million of our outstanding capital stock, each subject to certain conditions set forth in the second amended and restated revolving credit and term loan agreement. The second amended and restated revolving credit and term loan agreement also contains customary events of default including, among others, payment defaults, breaches of covenants, bankruptcy and insolvency events, cross defaults with certain material indebtedness, judgment defaults, change of control and breaches of representations and warranties.

Seller Notes

In July 2013, our wholly owned subsidiary, RetailMeNot, France, issued seller notes payable, or Ma-Reduc Notes, in connection with our acquisition of ABCYNE. The Ma-Reduc Notes had an aggregate principal amount of €3.75 million, translated to $5.2 million on our balance sheet as of December 31, 2013 and matured in July 2014. The Ma-Reduc Notes were repaid in full in July 2014.

In March 2013, we issued seller notes payable, Actiepagina Notes, in connection with our acquisition of Actiepagina B.V. The Actiepagina Notes had an aggregate principal amount of $1.2 million and matured in September 2014. The Actiepagina Notes were repaid in full in September 2014.

Other Notes

In conjunction with our acquisition of Miwim (Bons-de-Reduction.com and Poulpeo.com) in May 2012, we entered into deferred compensation arrangements with the former owners of Miwim, at which time we issued promissory notes, or the Miwim Notes, with an aggregate principal amount $3.5 million. We paid $1.75 million of the principal, along with accompanying interest, during 2013, and we paid the remaining $1.75 million upon maturity in May 2014.

Future maturities of debt as of December 31, 2014 are as follows (in thousands):

Year Ended December 31,	
2015	10,000
2016	10,000
2017	10,000
2018	10,000
2019	10,000
	$ 50,000

Debt Issuance Costs

Amortization of deferred financing costs was $0.4 million, $0.4 million and $0.6 million during the years ended December 31, 2014, 2013 and 2012, respectively. In addition, during the years ended December 31, 2014 and 2013, we recognized $0.2 million and $0.6 million write-offs, respectively, of unamortized deferred financing costs associated with amendments to our senior debt facility.

8. Commitments and Contingencies

Operating Leases

We lease office space, including our corporate headquarters in Austin, Texas, under non-cancelable operating leases. Rent expense under these operating leases was $4.9 million, $3.2 million and $1.4 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Certain of these lease arrangements have renewal or expansion options and adjustments for market provisions, such as free or escalating base monthly rental payments. Amounts reported in the table below are reported net of rent concessions. We recognize rent expense under such lease arrangements on a straight-line basis over the initial term of the lease. The difference between the straight-line expense and the cash paid for rent has been recorded as deferred rent.

We are responsible for paying our proportionate share of the actual operating expenses and real estate taxes under certain of these lease agreements. These operating expenses are not included in the table below. Future minimum lease payments under non-cancelable operating leases (including rent escalation clauses) with terms in excess of one year as of December 31, 2014 are as follows (in thousands):

Year Ended December 31,	
2015	$ 3,454
2016	3,470
2017	3,520
2018	3,530
2019	3,625
Thereafter	4,971
	$ 22,570

Contractual Obligations

As of December 31, 2014, we had purchase obligations of approximately $5.0 million that primarily relate to contracts for non-cancellable services. The obligations are due and payable as follows (in thousands):

Year Ended December 31,	
2015	$4,313
2016	490
2017	245
2018	—
2019	—
	$5,048

Legal Matters

From time to time, we may be involved in litigation relating to claims arising in the ordinary course of business. Management believes that there are no claims or actions pending or threatened against the Company, the ultimate disposition of which would have a material impact on our consolidated financial position, results of operations or cash flows.

Employment Agreements

We have entered into employment and change of control arrangements with certain of our executive officers and with certain employees in Europe.

Indemnification

In the normal course of business, to facilitate transactions related to our operations, we indemnify certain parties, including lessors, service providers and, from time to time, retailers and performance marketing networks with respect to certain matters. We have agreed to hold certain parties harmless against losses arising from a breach of representations or covenants, or other claims, including intellectual property infringement claims made against those certain parties by third parties. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. In addition, we have entered into indemnification agreements with our officers and directors, and our bylaws contain similar indemnification obligations.

9. Stockholders' Equity and Stock-Based Compensation

Common Stock

All share and per share information for all periods presented has been adjusted to reflect the effect of a four-for-one reverse stock split in June 2013. Our certificate of incorporation authorizes shares of stock as follows: 150,000,000 shares of Series 1 common stock, 6,107,494 shares of Series 2 common stock, and 10,000,000 shares of preferred stock. The common and preferred stock have a par value of $0.001 per share. As of December 31, 2014 and 2013, 54,253,452 and 46,569,376 shares of Series 1 common stock were outstanding, respectively. As of December 31, 2014 and 2013, zero and 6,107,494 shares of Series 2 common stock were outstanding, respectively.

In March 2014, the holders of all 6,107,494 shares of Series 2 common stock outstanding converted such shares into 6,107,494 fully paid and nonassessable shares of Series 1 common stock. Following such conversion, no shares of Series 2 common stock remained outstanding.

Each share of common stock is entitled to one vote at all meetings of stockholders, except each share of Series 2 common stock is not entitled to vote in connection with the election of the members of our board of

directors. The number of authorized shares of common stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of shares of capital stock of the Company representing a majority of the votes represented by all outstanding shares of capital stock of the Company entitled to vote. The holders of common stock are also entitled to receive dividends, when, if and as declared by our board of directors, whenever funds are legally available therefore, subject to the priority rights of any outstanding preferred stock.

Initial Public Offering

On July 24, 2013, we completed our initial public offering of 10,454,544 shares of Series 1 common stock, at a price of $21.00 per share, before underwriting discounts and commissions. We sold 4,545,454 of such shares and existing stockholders sold an aggregate of 5,909,090 of such shares, including 1,363,636 shares sold by selling stockholders as a result of the underwriters' exercise of their over-allotment option to purchase additional shares. Our initial public offering generated net proceeds to us of approximately $85.4 million, after deducting underwriting discounts and commissions. Expenses incurred by us for our initial public offering were approximately $3.4 million and were recorded against the net proceeds received by us from our initial public offering. We did not receive any proceeds from the sale of shares by the selling stockholders in our initial public offering.

Follow-on Offering

On December 16, 2013, we completed our follow-on offering of 7,207,207 shares of Series 1 common stock, at a price of $26.00 per share before underwriting discounts and commissions. We sold 2,000,000 of such shares and existing stockholders sold an aggregate of 5,207,207 of such shares, including 940,070 shares sold by selling stockholders as a result of the underwriters' exercise of their option to purchase additional shares. The offering generated net proceeds to us of $49.1 million, after deducting underwriting discounts and commissions. Expenses incurred by us for the follow-on offering were approximately $0.6 million and were recorded against the proceeds received from the follow-on offering. We did not receive any proceeds from the sale of shares by the selling stockholders in the follow-on offering.

Stock-Based Compensation

In July 2013, our board of directors and stockholders approved our 2013 Equity Incentive Plan (the "2013 Plan") and our 2013 Employee Stock Purchase Plan (the "2013 Purchase Plan"). When the 2013 Plan took effect, all shares available for grant under our 2007 Stock Plan, as amended (the "2007 Plan"), were transferred into the share pool of the 2013 Plan. Subsequent to our initial public offering, we have not granted, and will not grant in the future, any additional awards under the 2007 Plan. However, the 2007 Plan will continue to govern the terms and conditions of all outstanding equity awards granted under the 2007 Plan.

2013 Equity Incentive Plan

Under our 2013 Plan, the following awards types may be granted: stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares and units and other cash-based or stock-based awards. To date we have granted non-statutory stock options and restricted stock units. Restricted stock units represent rights to receive shares of our Series 1 common stock (or their value in cash) at a future date without payment of a purchase price. Holders of restricted stock units have no voting rights or rights to receive cash dividends unless and until shares of Series 1 common stock are issued in settlement of such awards. The compensation committee of our board of directors, or a committee appointed by the compensation committee, determines the term of the option, option price, number of shares for which each option and restricted stock unit is granted, whether restrictions will be imposed on the shares subject to the option or restricted stock unit, and the vesting period for each option and restricted stock unit. Awards granted under the 2013 Plan generally vest over four years. The term of each option is no more than ten years from grant date.

2007 Stock Plan

Options granted under the 2007 Plan are either incentive stock options or nonstatutory stock options. Our board of directors determined the term of the option, option price, number of shares for which each option was granted, whether restrictions were imposed on the shares subject to the option, and the vesting period for each option. Generally, options become 25% vested after one year of service, with the remaining 75% vesting on a pro-rata basis over the remaining three years. The term of each option is ten years from grant date.

Stock-based compensation expense for all employee share-based payment awards is based upon the grant date fair value. We recognize compensation costs, net of estimated forfeitures, on a straight-line basis over the requisite service period of the award. Forfeiture rates are estimated at grant date based on historical experience and adjusted in subsequent periods for differences in actual forfeitures from our previous estimates. We recorded $24.5 million, $10.5 million and $4.0 million of stock-based compensation expense for the years ended December 31, 2014, 2013 and 2012, respectively. We include stock-based compensation expense in cost and expenses consistent with the classification of respective employees' cash compensation in the consolidated statements of operations.

The fair value of stock options granted during the years ended December 31, 2014, 2013 and 2012 was estimated on the grant date using the Black-Scholes-Merton option pricing model. The weighted-average assumptions for stock options granted are outlined in the following table:

	Year Ended December 31,		
	2014	2013	2012
Expected volatility	56.39%	60.27%	64.46%
Expected term (in years)	6.0	6.0	6.0
Risk-free rate of return	1.94%	1.34%	0.95%
Expected dividend yield	—	—	—

Due to our short history as a public company, our expected volatility is based on the volatility of comparable publicly traded entities. The expected term represents the period of time the stock options are expected to be outstanding and is based on the "simplified method". We used the "simplified method" due to the lack of sufficient historical exercise data to provide a reasonable basis upon which to otherwise estimate the expected life of the stock options. The risk-free interest rate assumptions we use are based on observed market interest rates appropriate for the term of our stock options.

The following tables summarize the stock option activity of our 2007 Plan and 2013 Plan for the years ended December 31, 2014, 2013 and 2012:

Stock Options	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual (Years)	Aggregate Intrinsic Value (in thousands)	Weighted-Average Fair Value (per share)
Outstanding at December 31, 2011	2,475,212	$ 2.63	9.4	$ 8,443	$ 1.71
Granted	2,441,553	11.59			6.70
Exercised	(102,599)	2.45			1.61
Forfeited	(141,656)	4.28			2.56
Outstanding at December 31, 2012	4,672,510	$ 7.26	9.0	$ 52,588	$ 4.29
Granted	1,983,785	22.06			12.29
Exercised	(544,852)	3.70			3.54
Forfeited	(416,620)	11.46			7.05
Outstanding at December 31, 2013	5,694,823	$ 12.45	8.4	$ 94,474	$ 8.03
Granted	863,600	32.46			17.50
Exercised	(1,453,809)	8.00			5.31
Forfeited	(432,285)	19.36			11.53
Outstanding at December 31, 2014	4,672,329	$ 16.90	7.9	$ 15,799	$ 10.30
Vested at December 31, 2014 and expected to vest	4,546,124	$ 16.67	7.8	$ 15,796	
Exercisable at December 31, 2014	3,549,487	$ 13.11	7.6	$ 11,473	

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value that would have been received by the option holders had all option holders exercised their options on December 31, 2014, 2013 and 2012, respectively. The aggregate intrinsic value is determined by the fair value of our common stock and the per-share grant price.

The following table summarizes the restricted stock unit activity of the 2014 Plan for the years ended December 31, 2014 and 2013:

Restricted Stock Units	Number of Shares	Weighted-Average Remaining Vesting Term (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2012	—	—	$ —
Granted	54,579		
Issued	(500)		
Cancelled or Expired	—		
Outstanding at December 31, 2013	54,079	3.7	$ 1,557
Granted	1,621,593		
Issued	(19,040)		
Cancelled or Expired	(107,212)		
Outstanding at December 31, 2014	1,549,420	1.8	$ 22,653
Outstanding at December 31, 2014 and expected to vest	1,416,509	1.8	$ 20,709

The weighted average fair value at the date of grant for restricted stock units was $30.35 and $31.88 for the years ended December 31, 2014 and 2013, respectively.

The following table summarizes additional stock option and restricted stock unit values (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Intrinsic value of stock options exercised	$39,641	$10,663	$ 788
Intrinsic value of restricted stock units that vested	310	17	—
Grant date fair value of stock options exercised	7,720	1,929	165
Grant date fair value of restricted stock units that vested	567	17	—

As of December 31, 2014, $61.3 million of total unrecognized compensation cost related to stock options and restricted stock units is expected to be recognized over a weighted-average period of 2.9 years. As of December 31, 2014, 3,948,942 shares of our Series 1 common stock were available for grant under the 2013 Plan.

As of December 31, 2014, we had reserved shares of common stock for future issuance as follows (in thousands):

2007 Stock Incentive Plan	3,411
2013 Stock Incentive Plan	6,762
2013 Employee Stock Purchase Plan	976
	11,149

10. Earnings Per Share

Basic and diluted net income per common share is presented in conformity with the two-class method required for participating securities. Prior to our initial public offering, holders of preferred stock were each entitled to receive cumulative dividends payable prior and in preference to any dividends on any shares of our common stock. In the event a dividend was paid on common stock, the holders of preferred stock were entitled to a proportionate share of any such dividend as if they were holders of common stock (on an as-if converted basis). Accordingly, all of our outstanding series of preferred stock were considered to be participating securities. The holders of our preferred stock did not have a contractual obligation to share in our losses; therefore, no amount of total undistributed loss is allocated to preferred stock.

The rights of the holders of Series 1 and Series 2 common stock are identical, except with respect to voting. Each share of Series 1 and Series 2 common stock is entitled to one vote per share; however holders of Series 2 common stock are not entitled to vote in connection with the election of the members of our board of directors. Shares of Series 2 common stock may be converted into shares of Series 1 common stock at any time at the option of the stockholder. As of December 31, 2014, no shares of Series 2 common stock were outstanding.

Under the two-class method, basic net income per share attributable to common stockholders is computed by dividing the net income attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Net income attributable to common stockholders is determined by allocating undistributed earnings, calculated as net income less current period preferred stock dividends, between common stock and preferred stock. In computing diluted net income attributable to common stockholders, undistributed earnings are re-allocated to reflect the potential impact of dilutive securities. Diluted net income per share attributable to common stockholders is computed by dividing the net income attributable to common stockholders by the weighted-average number of shares of common stock outstanding, including potential dilutive shares of common stock assuming the dilutive effect of outstanding stock options and warrants using the treasury stock method or if-converted method, whichever is more dilutive.

The following table sets forth the computation of basic and diluted earnings per share of common stock (in thousands, except per share amounts):

	Year Ended December 31, 2014	2013	2012
Net income	$26,965	$ 31,530	$ 25,993
Preferred stock dividends on participating preferred stock	—	(19,928)	(24,577)
Total undistributed earnings	26,965	11,602	1,416
Undistributed earnings allocated to participating preferred stock	—	(5,998)	(1,390)
Net income attributable to common stockholders	$26,965	$ 5,604	$ 26
Weighted average common shares outstanding:			
Basic	53,792	23,074	841
Diluted	55,311	25,742	2,277
Net loss per share attributable to common stockholders:			
Basic	$ 0.50	$ 0.24	$ 0.03
Diluted	$ 0.49	$ 0.23	$ 0.03

The following common equivalent shares were excluded from the diluted net income per share calculation, as their inclusion would have been anti-dilutive (in thousands):

	Year Ended December 31, 2014	2013	2012
Stock options	1,538	112	—
Restricted stock units	839	—	—
Employee Stock Purchase Plan shares	34	—	—
Total	2,411	112	—

11. Fair Value Measurements

Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. Generally accepted accounting principles set forth a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The three tiers are Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop our own assumptions.

Assets and liabilities measured at fair value on a recurring basis are summarized below (in thousands):

	Fair Value Measurements at December 31, 2014 Level 1	Level 2	Level 3	Total
Assets:				
Money market deposit accounts	$ 170,196	$ —	$ —	$ 170,196
Liabilities:				
Foreign exchange forward contract	$ —	$ —	$ —	$ —

	Fair Value Measurements at December 31, 2013			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market deposit account	$ 872	$ —	$ —	$ 872
Liabilities:				
Interest rate swap agreement	$ —	$ 12	$ —	$ 12

Money market funds are reported on our consolidated balance sheets as cash and cash equivalents, and derivative instruments are reported on our consolidated balance sheets as accrued expenses and other current liabilities. The fair value of our derivative instruments has been determined using pricing models that take into account the underlying contract terms, as well as all applicable inputs, such as interest rate yield curves and currency rates. Our other financial instruments consist primarily of accounts receivable, accounts payable, accrued liabilities and notes payable. The carrying value of these assets and liabilities approximate their respective fair values as of December 31, 2014 and 2013 due to the short-term maturities, or in the case of our long-term notes payable, based on the variable interest rate feature. As of December 31, 2014, 2013 and 2012 no significant fair value adjustments were required for nonfinancial assets and liabilities.

12. Income Taxes

The components of pretax income for the years ended December 31, 2014, 2013 and 2012 were as follows (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Domestic	$37,671	$42,189	$38,595
Foreign	8,717	8,232	3,758
Total	$46,388	$50,421	$42,353

The components of the provision for income taxes attributable to continuing operations are as follows (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Current:			
Federal	$ 16,291	$ 16,627	$ 14,773
State	1,312	1,187	836
Foreign	5,989	3,905	2,547
Total current	23,592	21,719	18,156
Deferred:			
Federal	(3,090)	(1,161)	(550)
State	(384)	65	—
Foreign	(695)	(1,732)	(1,246)
Total deferred	(4,169)	(2,828)	(1,796)
Total provision for income taxes	$ 19,423	$ 18,891	$ 16,360

Cash paid for taxes was $10.2 million, net of refunds, during 2014. Cash paid for taxes was $16.1 million and $22.1 million during 2013 and 2012, respectively.

Our provision for income taxes attributable to continuing operations differs from the expected tax expense amount computed by applying the statutory federal income tax rate of 35% to income before income taxes as a result of the following (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Tax at U.S. statutory rate	$ 16,236	$ 17,647	$ 14,824
State tax provision, net of federal benefit	882	999	543
Stock-based compensation	661	1,701	1,031
Foreign tax rate differential	(2,734)	(1,038)	(421)
Research and development credits	(2,026)	(649)	—
Tax effects of corporate restructuring	3,475	—	—
Non-deductible expenses	1,640	1,053	678
Net increase (decrease) in valuation allowance	999	—	—
Other	290	(822)	(295)
Income tax provision	$ 19,423	$ 18,891	$ 16,360

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of deferred taxes are as follows (in thousands):

	December 31,	
	2014	2013
Deferred tax assets:		
Reserves and allowances	$ 2,358	$ 1,461
Tax carryforwards	1,332	772
Accrued expenses	1,319	1,033
Stock-based compensation	7,248	1,910
Deferred rent	1,360	756
Other	711	820
Total deferred tax assets	14,328	6,752
Deferred tax liabilities:		
Property and equipment	(3,550)	(1,842)
Intangibles	(8,769)	(10,534)
Other	(777)	(920)
Total deferred tax liabilities	(13,096)	(13,296)
Valuation allowance	(999)	—
Net deferred tax asset (liability)	$ 233	$ (6,544)

In July 2013, our wholly owned subsidiary, RetailMeNot, France, acquired 100% of the outstanding capital stock of Ma-Reduc.com. See Note 3, “Acquisitions”. A net deferred tax liability of approximately $2.5 million was recorded primarily related to acquired intangibles.

In October 2013, we acquired 100% of the outstanding stock of YSL Ventures, Inc. See Note 3, “Acquisitions”. A net deferred tax liability of approximately $0.3 million was recorded primarily related to acquired intangibles, offset by net operating loss and research and development tax credit carryforwards.

A valuation allowance is established if, based on the Company's review of both positive and negative evidence, it is more likely than not that all or a portion of the deferred tax asset will not be realized. We recorded a valuation allowance of approximately $1.0 million at December 31, 2014, related to the uncertainty of the utilization of certain state research and development tax credit carryforwards.

As of December 31, 2014, we had federal net operating loss carryforwards of $0.9 million, federal research and development tax credit carryforwards of $22,000 and state research and development tax credit carryforwards of $1.3 million. These carryforwards expire between 2031 and 2034 if not utilized. As of December 31, 2014 and 2013, no provision has been made for U.S. income taxes and foreign withholding taxes related to undistributed earnings of our foreign subsidiaries, as those earnings are considered to be permanently reinvested outside the United States. As of December 31, 2014, we did not have an unrecognized deferred tax liability related to undistributed earnings of our foreign subsidiaries, as we have incurred foreign taxes during our 2014 global corporate restructuring which, if repatriated, would generate foreign tax credits sufficient to reduce additional taxes on repatriated earnings. As of December 31, 2013, the unrecognized deferred tax liability related to undistributed earnings of our foreign subsidiaries was $3.5 million.

The exercise of certain of our stock options results in taxable compensation, which is includable in the taxable income of the exercising option holder and which we can deduct from our taxable income for federal and state income tax purposes. Such compensation results from increases in the fair value of our common stock subsequent to the date of grant of the exercised stock options. Option-related excess tax benefits (tax deduction over cumulative book deduction) are recorded as an increase to additional paid-in capital, while option-related tax deficiencies (cumulative book deduction over tax deduction) are recorded as a decrease to additional paid-in capital to the extent of our additional paid-in capital option pool, then to the income tax provision. During the years ended December 31, 2014 and 2013, we recorded increases to additional paid-in capital of $11.1 million and $2.0 million, respectively, offset by reductions in current taxes payable.

We follow the guidance on accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The aggregate changes in the balance of unrecognized tax benefits for the years ended December 31, 2014 and 2013 were as follows, excluding interest and penalties (in thousands):

Balance at December 31, 2012	$ —
Increases for tax positions related to the current year	282
Increases for tax positions related to prior years	948
Balance at December 31, 2013	$1,230
Increases for tax positions related to the current year	2,269
Increases for tax positions related to prior years	513
Decreases for tax positions related to prior years	(73)
Lapses in statutes of limitations	(10)
Balance at December 31, 2014	$3,929

Included in the balance of unrecognized tax benefits at December 31, 2014 are $0.3 million of unrecognized tax benefits that are offset against related deferred tax assets for which a valuation allowance exists. If we were to recognize the unrecognized tax benefits, the benefit would be offset by a change in the valuation allowance and would not have an impact on the effective tax rate.

Our practice is to recognize interest and penalties related to unrecognized tax benefits as a component of income tax expense. In 2014, 2013 and 2012, we recognized interest and penalties of $0.1 million, $0.3 million, and $0.0 million, respectively, within income tax expense on our consolidated statements of operations. Amounts

for interest and penalties accrued are included within the related tax liability line in the consolidated balances sheets and were $0.4 million and $0.3 million for the years ended December 31, 2014 and 2013, respectively.

We file U.S., state and foreign income tax returns in jurisdictions with varying statutes of limitations. As of December 31, 2014, in the United States, the tax years 2011 through 2014 remain open to examination in the federal jurisdiction and most state jurisdictions. The Internal Revenue Service has not conducted an examination for any tax year. Additionally, various foreign income tax returns are subject to examinations for years 2011 through 2014. For uncertain tax positions as of December 31, 2014, we do not anticipate that the total amounts of unrecognized tax benefits will significantly increase or decrease within the coming year.

As of December 31, 2014, the unamortized tax effects of corporate restructuring transactions of $0.8 million and $2.3 million are included within "Prepaids and other current assets, net " and "Other assets, net," respectively, on the consolidated balance sheet. As of December 31, 2014, the estimated future amortization of the tax effects of corporate restructuring transactions to income tax expense is $0.8 million for 2015 and $2.3 million, cumulatively, for the years 2016 through 2020. These amounts exclude the benefits, if any, for tax deductions in other jurisdictions that we may be entitled to as a result of the related corporate restructuring transactions.

13. Domestic and Foreign Operations

The Company has operations in the U.S. and Europe. Information about these operations is presented below (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Net Revenues:			
U.S.	$ 206,865	$ 166,532	$ 119,986
United Kingdom	36,752	31,296	21,357
Other International	21,066	12,008	3,342
Total Net Revenues	$ 264,683	$ 209,836	$ 144,685

	As of December 31,	
	2014	2013
Identifiable tangible long-lived assets:		
U.S.	$15,494	$ 8,989
United Kingdom	753	856
Other International	702	472
Total identifiable tangible long-lived assets	$16,949	$ 10,317

Net revenues attributed to the U.S. and international geographies are based upon the country in which the selling subsidiary of the Company is located.

Identifiable tangible long-lived assets attributed to the U.S. and international geographies are based upon the country in which the asset is located or owned.

14. Employee Benefit Plans

401(k) Plan

We have established a tax-qualified employee savings and retirement plan for all employees in the U.S. who satisfy certain eligibility requirements, including requirements relating to age and length of service. Under our

401(k) plan, employees may elect to reduce their current compensation by up to the statutory limit, $17,500 in 2014 and 2013, and have us contribute the amount of this reduction to the 401(k) plan. During 2012, we began matching up to 58% of employee contributions, but not exceeding $8,750 per employee. Our contributions for the years ended December 31, 2014, 2013 and 2012 were $1.3 million, $0.9 million and $0.4 million, respectively.

15. Subsequent Events

On February 5, 2015 our board of directors authorized the repurchase of up to $100 million worth of shares of our Series 1 common stock over a period of up to 24 months.

16. Selected Quarterly Financial Data (unaudited)

	For the Three Months Ended:							
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
	(in thousands, except per share amounts)							
Net revenues	$ 40,561	$ 43,401	$ 47,350	$ 78,524	$ 61,270	$ 59,506	$ 56,470	$ 87,437
Gross margin	37,973	40,529	44,075	74,210	56,840	54,858	51,872	82,496
Net income	6,975	5,123	5,593	13,839	6,075	4,326	2,528	14,036
Net income (loss) attributable to common stockholders	20	(999)	(2,159)	13,839	6,075	4,326	2,528	14,036
Net income (loss) per share attributable to common stockholders:								
Basic	$ 0.02	$ (0.68)	$ (0.06)	$ 0.27	$ 0.11	$ 0.08	$ 0.05	$ 0.26
Diluted	$ 0.02	$ (0.68)	$ (0.06)	$ 0.26	$ 0.11	$ 0.08	$ 0.05	$ 0.26
Weighted-average number of shares used in computing net income (loss) per share:								
Basic	1,000	1,466	38,235	50,879	53,149	53,791	53,999	54,160
Diluted	2,965	1,466	38,235	53,368	55,562	55,377	55,086	55,041

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
2.1	Asset Purchase Agreement for the purchase of RetailMeNot.com, dated November 24, 2010.	DRS	377-00145	2.1	April 5, 2013
2.2	Agreement Relating to the Sale and Purchase of the Entire Issued Share Capital of eConversions Limited, dated August 15, 2012.	DRS	377-00145	2.2	April 5, 2013
3.1.1	Fifth Amended and Restated Certificate of Incorporation dated May 9, 2013.	DRS	377-00145	3.1.1	April 5, 2013
3.1.2	Certificate of Amendment to Fifth Amended and Restated Certificate of Incorporation, dated September 12, 2013.	DRS	377-00145	3.1.2	April 5, 2013
3.1.3	Second Certificate of Amendment to Fifth Amended and Restated Certificate of Incorporation, dated March 8, 2013.	DRS	377-00145	3.1.3	April 5, 2013
3.1.4	Third Certificate of Amendment to Fifth Amended and Restated Certificate of Incorporation, dated April 4, 2013.	DRS	377-00145	3.1.4	April 5, 2013
3.1.5	Fourth Certificate of Amendment to Fifth Amended and Restated Certificate of Incorporation, dated June 12, 2013.	S-1	333-189397	3.1.5	June 17, 2013
3.2	Form of Sixth Amended and Restated Certificate of Incorporation of the Registrant.	S-1/A	333-189397	3.2	July 8, 2013
3.3	Bylaws of the Registrant.	S-1/A	333-189397	3.4	July 8, 2013
4.1.1	Third Amended and Restated Investors' Rights Agreement dated October 28, 2012.	DRS	377-00145	4.1.1	April 5, 2013
4.1.2	Amendment to Third Amended and Restated Investors' Rights Agreement dated May 10, 2013.	DRS	377-00145	4.1.2	April 5, 2013
4.1.3	Second Amendment to Third Amended and Restated Investors' Rights Agreement and Waiver of Registration Rights dated December 6, 2013.	S-1/A	333-192632	4.1.3	December 9, 2013
4.2.1	Third Amended and Restated Right of First Refusal and Co-Sale Agreement dated October 28, 2012.	DRS	377-00145	4.2.1	April 5, 2013
4.2.2	Amendment to Third Amended and Restated Right of First Refusal and Co-Sale Agreement dated May 10, 2013.	DRS	377-00145	4.2.2	April 5, 2013
4.3.1	Third Amended and Restated Voting Agreement dated October 28, 2012.	DRS	377-00145	4.3.1	April 5, 2013

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
4.3.2	Amendment to Third Amended and Restated Voting Agreement dated May 10, 2013.	DRS	377-00145	4.3.2	April 5, 2013
4.3.3	Voting Agreement dated July 5, 2013.	S-1/A	333-189397	4.3.3	July 8, 2013
10.1	Form of Indemnification Agreement for directors and officers.	DRS/A	377-00145	10.1	May 13, 2013
10.2.1†	2007 Stock Plan and forms of agreement thereunder.	DRS/A	377-00145	10.2.1	May 13, 2013
10.2.2†	First Amendment to the 2007 Stock Plan.	DRS	377-00145	10.2.2	April 5, 2013
10.2.3†	Second Amendment to the 2007 Stock Plan.	DRS	377-00145	10.2.3	April 5, 2013
10.2.4†	Third Amendment to the 2007 Stock Plan.	DRS	377-00145	10.2.4	April 5, 2013
10.2.5†	Fourth Amendment to the 2007 Stock Plan.	DRS	377-00145	10.2.5	April 5, 2013
10.2.6†	Fifth Amendment to the 2007 Stock Plan.	DRS	377-00145	10.2.6	April 5, 2013
10.2.7†	Sixth Amendment to the 2007 Stock Plan.	DRS	377-00145	10.2.7	April 5, 2013
10.3†	Form of the Registrant's 2013 Bonus Plan for Officers dated May 22, 2013.	DRS	377-00145	10.3	April 5, 2013
10.4.1	Term Loan Agreement by and among Comerica Bank, as administrative agent for the lenders named therein, and the Registrant *et al*, dated November 24, 2010.	DRS	377-00145	10.4.1	April 5, 2013
10.4.2	First Amendment to Term Loan Agreement.	DRS	377-00145	10.4.2	April 5, 2013
10.4.3	Second Amendment to Term Loan Agreement.	DRS	377-00145	10.4.3	April 5, 2013
10.4.4	Third Amendment to Term Loan Agreement.	DRS	377-00145	10.4.4	April 5, 2013
10.4.5	Fourth Amendment to Term Loan Agreement.	DRS	377-00145	10.4.5	April 5, 2013
10.4.6	Fifth Amendment to Term Loan Agreement.	DRS	377-00145	10.4.6	April 5, 2013
10.4.7	Sixth Amendment to Term Loan Agreement.	DRS	377-00145	10.4.7	April 5, 2013
10.4.8	Amended and Restated Revolving Credit and Term Loan Agreement by and among Comerica Bank, as administrative agent for the lenders named therein, and the Registrant *et al*, dated July 1, 2013.	S-1/A	333-189397	10.4.8	July 18, 2013
10.4.8.1	First Amendment to Amended and Restated Revolving Credit and Term Loan Agreement, dated December 11, 2013.	S-1/A	333-192632	10.4.8.1	December 11, 2013
10.4.8.2	Second Amendment to Amended and Restated Revolving Credit and Term Loan Agreement, dated February 26, 2014.	8-K	001-36005	1.1	March 3, 2014
10.4.8.3	Second Amended and Restated Revolving Credit and Term Loan Agreement, dated December 23, 2014.	8-K	001-36005	1.1	December 29, 2014

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.4.9	Security Agreement by and among Comerica Bank, as administrative agent for the lenders named therein, the Registrant, Spectrawide Acquisition Co., LLC, CSB Acquisition Co., LLC, CLTD Acquisition Co., LLC, Smallponds, LLC, Deals.com, LLC, RNOT, LLC and WSM CV, LLC, dated July 1, 2013.	S-1/A	333-189397	10.4.9	July 18, 2013
10.5	Intellectual Property Security Agreement by and among the Registrant, Comerica Bank, Spectrawide Acquisition Co., LLC, Spectrawide Inc., CSB Acquisition Co., LLC, CLTD Acquisition Co., LLC, Smallponds, LLC, Deals.com, LLC and RMN Acquisition Co., LLC, dated November 24, 2010.	DRS	377-00145	10.5	April 5, 2013
10.5.1	Intellectual Property Security Agreement by and among Comerica Bank, as administrative agent for the lenders named therein, the Registrant, Spectrawide Acquisition Co., LLC, CSB Acquisition Co., LLC, CLTD Acquisition Co., LLC, Smallponds, LLC, Deals.com, LLC, RNOT, LLC and WSM CV, LLC, dated July 1, 2013.	S-1/A	333-189397	10.5.1	July 18, 2013
10.6.1	Lease Agreement by and between the Registrant and NOP 301 Congress LP, dated May 24, 2012.	DRS	377-00145	10.6.1	April 5, 2013
10.6.2	Amendment No. 1 to Lease Agreement by and between the Registrant and NOP 301 Congress LP, dated November 14, 2012.	DRS	377-00145	10.6.2	April 5, 2013
10.6.3	Amendment No. 2 to Lease Agreement by and between the Registrant and NOP 301 Congress LP, dated November 9, 2013.	DRS	377-00145	10.6.3	April 5, 2013
10.6.4	Amendment No. 3 to Lease Agreement by and between the Registrant and NOP 301 Congress LP, dated January 21, 2013.	S-1/A	333-189397	10.6.4	July 16, 2013
10.7.1	Counterpart Lease Agreement by and among Northburgh House Limited, eConversions Limited and RetailMeNot UK Ltd., dated June 24, 2012.	DRS	377-00145	10.7.1	April 5, 2013
10.7.2	Termination of Lease Agreement by and among Northburgh House Limited, eConversions Limited and RetailMeNot UK Ltd., dated February 1, 2013, and effective as of August 10, 2013.	DRS	377-00145	10.7.2	April 5, 2013
10.8.1	Underlease, dated 1/10/07, amongst Billingford Investments Limited, Braiseworth Investments Limited and Carlton Communications Limited, dated January 10, 2007.	DRS	377-00145	10.8.1	April 5, 2013

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.8.2	Agreement for the Assignment of the Underlease, between Carlton Communications Limited and the Registrant, dated March 11, 2013.	DRS	377-00145	10.8.2	April 5, 2013
10.9.1	Lease Agreement by and between MIWIMMO, Société Civile Immobilière (a real estate company) and MIWIM, Société à Responsabilité Limitée (a limited liability company), dated September 23, 2009.	DRS	377-00145	10.9.1	April 5, 2013
10.9.2	Amendment to Lease by and between MIWIMMO, Société Civile Immobilière (a real estate company) and MIWIM, Société à Responsabilité Limitée (a limited liability company), dated December 31, 2010.	DRS	377-00145	10.9.2	April 5, 2013
10.10†	Employment Agreement between the Registrant and G. Cotter Cunningham, dated effective as of March 1, 2013.	DRS	377-00145	10.10	April 5, 2013
10.11†	Employment Agreement between the Registrant and Kelli A. Beougher, dated effective as of March 1, 2013.	DRS	377-00145	10.11	April 5, 2013
10.12†	Employment Agreement between the Registrant and Douglas C. Jeffries, dated effective as of March 1, 2013.	DRS	377-00145	10.12	April 5, 2013
10.13†	Employment Agreement between the Registrant and Paul M. Rogers, dated effective as of March 1, 2013.	DRS	377-00145	10.13	April 5, 2013
10.14†	Employment Agreement between the Registrant and Louis J. Agnese, III, dated effective as of March 1, 2013.	DRS	377-00145	10.14	April 5, 2013
10.14.1†	Amendment to Employment Agreement between the Registrant and Louis J. Agnese, III dated effective as of October 15, 2013.	S-1	333-192632	10.14.1	December 2, 2013
10.14.2	Second Amendment to Employment Agreement between the Registrant and Louis J. Agnese, III dated effective as of February 13, 2013.	10-K	001-36005	10.14.2	February 18, 2014
10.15†	Employment Agreement between the Registrant and Jagjit S. Bath, dated effective as of March 1, 2013.	DRS	377-00145	10.15	April 5, 2013
10.16†	Employment Agreement between the Registrant and Jillian L. Balis, dated effective as of March 1, 2013.	DRS	377-00145	10.16	April 5, 2013
10.17	Commission Junction Publisher Service Agreement dated November 16, 2010, as assigned to RNOT, LLC pursuant to the Assignment and Assumption Amendment dated November 24, 2010.	DRS	377-00145	10.17	April 5, 2013

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.18	LinkShare Corporation Publisher Membership Agreement, as assigned to the Registrant and RNOT, LLC pursuant to the Consent to Assignment of Agreement dated November 24, 2010.	DRS	377-00145	10.18	April 5, 2013
10.19†	2013 Equity Incentive Plan.	S-1/A	333-189397	10.20	July 8, 2013
10.20†	2013 Employee Stock Purchase Plan.	S-1/A	333-189397	10.21	July 8, 2013
10.21†	Board Offer Letter between the Registrant and Brian H. Sharples, dated as of July 11, 2012.	DRS/A	377-00145	10.22	May 13, 2013
10.22†	Board Offer Letter between the Registrant and Greg J. Santora, dated as of April 24, 2013.	DRS/A	377-00145	10.23	May 13, 2013
10.23†	Employment Agreement between the Registrant and Steven T. Pho, dated effective as of March 1, 2013.	S-1	333-192632	10.24	December 2, 2013
10.23.1†	Amendment to Employment Agreement between the Registrant and Steven T. Pho, dated effective as of October 15, 2013.	S-1	333-192632	10.24.1	December 2, 2013
10.23.2	Second Amendment to Employment Agreement between Registrant and Steven T. Pho, dated effective as of February 13, 2013.	10-K	001-36005	10.23.2	February 18, 2014
10.24†	Board Offer Letter between the Registrant and Gokul Rajaram, dated as of September 13, 2013.	10-K	001-36005	10.24	February 18, 2014
10.25†	RetailMeNot, Inc. 2013 Bonus Plan (Director Level & Up).	10-K	001-36005	10.25	February 18, 2014
10.26†	RetailMeNot, Inc. 2014 Bonus Plan.	8-K	001-36005	10.1	February 18, 2014
10.27†	Board Offer Letter between the Registrant and Eric Korman, dated as of August 8, 2014.				
14.1	Code of Business Conduct and Ethics.				
21.1	List of Subsidiaries of the Registrant.				
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.				
24.1	Power of Attorney (see page 77 to this Annual Report on Form 10-K).				
31.1	Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of The Sarbanes-Oxley Act of 2002.				

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
31.2	Certification of Principal Financial Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of The Sarbanes-Oxley Act of 2002.				
32.1	Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350 as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.				
32.2	Certification of Principal Financial Officer Required under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350 as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.				
101.INS	XBRL Instance Document.				
101.SCH	XBRL Taxonomy Extension Schema.				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.				
101.LAB	XBRL Taxonomy Extension Label Linkbase.				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.				
101.DEF	XBRL Taxonomy Extension Definition Linkbase.				

† Management contract, compensatory plan or arrangement.

EXHIBIT D

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2015
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-36005

RETAILMENOT, INC.
(Exact name of registrant as specified in its charter)

Delaware	**26-0159761**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

301 Congress Avenue, Suite 700
Austin, Texas 78701
(512) 777-2970
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Series 1 common stock, par value $0.001 per share	The NASDAQ Global Select Market LLC

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒		Accelerated filer	☐
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

Based on the closing price of the registrant's common stock on the last business day of the registrant's most recently completed second fiscal quarter, which was June 30, 2015, the aggregate market value of its common stock held by non-affiliates on that date was $683,105,278.

As of January 31, 2016, 49,511,564 shares of the registrant's Series 1 Common Stock were outstanding.

Documents incorporated by reference:

The information required by Part III of this Report, to the extent not set forth herein, is incorporated herein by reference from the Proxy Statement relating to our 2016 annual meeting of shareholders, which shall be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Report relates.

TABLE OF CONTENTS

PART I

Forward Looking Statements

Except for the historical financial information contained herein, the matters discussed in this report on Form 10-K (as well as documents incorporated herein by reference) may be considered "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements include declarations regarding the intent, belief or current expectations of RetailMeNot, Inc. and its management and may be signified by the words "anticipate," "believe," "could," "estimate," "expect," "intend," "plan," "potential," "predict," "project," "seek," "should," "target," "will," "would" or similar language (or the negative of these terms). You are cautioned that any such forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties. Actual results could differ materially from those indicated by such forward-looking statements. Factors that could cause or contribute to such differences include those discussed under Part 1, Item 1A: "Risk Factors" and elsewhere in this report. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 1. Business.

Company Overview

We operate a leading digital savings destination connecting consumers with retailers, restaurants and brands, both online and in-store. In 2015, our marketplace featured more than 800,000 digital offers each month. Digital offers are offers, offer codes and brand or category specific discounts made available online or through mobile applications that are used by consumers to make online or in-store purchases directly from retailers (which we define to mean both retailers and restaurants, but excluding grocery retailers). Digital offers can include coupons, sales, consumer tips, advertisements, discounted digital gift cards redeemable at retailers or cash-back rebates associated with the purchase of a product or a consumer action. Our websites, mobile applications, email newsletters and alerts and social media presence enable consumers to search for, discover and redeem hundreds of thousands of relevant digital offers from retailers and brands. Our marketplace features digital offers across multiple product categories, including clothing; electronics; health and beauty; home and office; travel, dining and entertainment; personal and business services; and shoes. We believe our investments in digital offer content quality, product innovation and direct retailer relationships allow us to offer a compelling experience to consumers looking to save money, whether online or in-store.

We believe we are a trusted partner to retailers and brands. We provide our retailers and brands access to a large and engaged consumer audience. We help retailers and brands drive sales and acquire new customers online and in-store through our websites and mobile applications. In addition, our pay-for-performance model, from which a substantial majority of our revenues are derived, along with flat fee arrangements, enable us to structure mutually beneficial relationships with our paid retailers, providing them control and flexibility with respect their marketing spend and, in many cases, resulting in payment of a commission to us only after a sale is made.

Our Industry

The retail industry is large, and e-commerce and mobile commerce are growing rapidly. Internet and mobile devices have become an integral part of the consumers' shopping experience and are increasingly influencing the consumers' purchasing decision process online and in-store. The rise of mobile-optimized websites and applications has enabled consumers to use digital offers for purchases through their mobile devices or for in-store redemption at checkout. We believe that the adoption of location-based technologies will further contribute to this growth. Retailers and brands are recognizing the need to expand their online and mobile advertising initiatives. We believe many retailers and brands are re-allocating their budgets to the channels in which consumers are spending more of their time before making purchase decisions.

Retailers and brands are focused on the return on investment, or ROI, of their marketing spend and are adopting solutions, like digital offers, that allow them to measure and optimize the impact of their promotional campaigns. We believe that the direct response nature of digital offers, which allow for better consumer segmentation, targeting, tracking of redemptions and automated attribution to specific promotional campaign spend better facilitates the ability to measure ROI compared to more traditional advertising channels.

In addition, the speed and adaptability of digital offers allows retailers and brands to reach consumers whenever and wherever they are shopping. Further, retailers and brands are able to post digital offers quickly, edit and iterate on-the-go and modify the scale of campaigns dynamically based on consumer interest and marketing budgets. This compares favorably to

traditional print couponing, which requires longer lead times and is a more manual and expensive process due to the additional overhead associated with printing and distributing physical offers.

Industry Challenges

Within this large addressable market, consumers and retailers and brands face various challenges that represent barriers to increased retail commerce activity, online and in-store.

Challenges for Consumers

- ***Difficult to find relevant digital offers.*** Digital offers are most valuable to consumers when they relate to products and brands that consumers want. Consumers face a fragmented landscape as digital offers are available in many different formats across a large number of distribution channels. Traditional offers are available in newspapers, magazines and direct mail, while digital offers are available on the websites and mobile applications of retailers and brands, digital offer websites, in emails or embedded as advertising. Many digital offer websites and other distribution channels lack the breadth and depth to provide a relevant digital offer when a consumer wants it, whether online or in-store. In addition, few digital offer websites or mobile applications have the retailer and brand relationships and resources to build a comprehensive selection of digital offers for consumers. Consumers often have to resort to visiting multiple websites or mobile applications to check if a relevant digital offer from their preferred retailer or brand is available.
- ***Unreliable digital offers.*** Many digital offer websites and mobile applications provide unreliable digital offers that may be declined by retailers, causing consumer frustration and disappointment. These websites and mobile applications lack the infrastructure and technology to review and validate digital offers that appear on their properties, resulting in digital offers that can expire without notice or are invalid.
- ***Inconvenience associated with traditional offers.*** Traditional offers distributed via fragmented offline media such as newspapers and circulars are hard to discover, search and organize, and carry expiration dates that are difficult to track. They are often not easily available on-demand when a consumer is shopping and can rarely be redeemed across multiple channels, such as online and in-store.

Challenges for Retailers and Brands

- ***Difficulty reaching consumers at scale.*** The increasing amount of digital content and the proliferation of mobile devices creates significant audience fragmentation. This fragmentation makes it difficult for retailers and brands to reach their target audience at scale and at a time when their purchase behavior can be influenced.
- ***Difficulty engaging consumers across channels.*** With the shift in consumer engagement towards online, mobile and social channels, and the development of channels for online and mobile shopping that offer rapid delivery of goods ordered online, retailers and brands need an integrated multichannel solution to optimize their promotional efforts to increase traffic and drive sales. Creating consistent and integrated consumer engagement across their online, mobile and offline retail presence can represent a challenge for many retailers and brands. Additionally, if consumers have a poor experience with an offer it may negatively impact consumers' image of the retailer or brand.
- ***Ineffective and difficult to measure marketing solutions.*** Retailers and brands are looking to maximize the returns on their promotional campaigns. Many traditional marketing options do not allow retailers and brands to effectively measure the ROI of their marketing spend or collect behavioral consumer data to optimize their campaigns. Therefore, retailers and brands seek a solution that can provide pay-for-performance or transparency into the effectiveness of their promotional campaigns.

Our Solution

We operate a leading digital savings destination connecting consumers with retailers and brands. Consumers are able to visit a trusted destination that allows them to search for, discover and redeem digital offers from leading retailers and brands, online or in-store. We aggregate digital offers from retailers and brands, performance marketing networks, our large user community, our employees and outsourced providers. Retailers and brands are able to drive sales and acquire new customers by effectively attracting and engaging a large audience of consumers who are shopping across multiple channels. Our solution also enables retailers to better manage their customer acquisition spend and effectively measure their marketing ROI.

Solutions for Consumers

We believe our content and high quality user experience continues to attract a large and engaged audience of consumers to our marketplace. Key elements of our solution for consumers include:

- ***Save money with a broad selection of offers*:** Our breadth and depth of digital offer inventory, including digital offers from over 70,000 retailers and brands in 2015, enables consumers to save money on their everyday purchases. We aggregate digital offers available from retailers and brands, performance marketing networks, our large user community, our employees and outsourced providers, including digital offers exclusive to our marketplace. In 2015, more than two-thirds of the digital offers featured in our marketplace were submitted by users or sourced internally by us. The remainder of the digital offers featured in our marketplace were provided through performance marketing networks. In 2015, we featured more than 800,000 digital offers each month from retailers and brands across multiple product categories including clothing; electronics; health and beauty; home and office; travel, dining and entertainment; personal and business services; and shoes.
- ***Anytime, anywhere availability, online and in-store:*** Consumers can search for and discover our digital offers at virtually any time via our websites, mobile applications, email newsletters and alerts or social media presence, whether on their desktop or mobile devices. Our mobile applications provide access to the online and in-store digital offers found in our marketplace, allowing consumers to search and discover the digital offers they need and use them to shop whenever and wherever they want. Consumers can also e-mail, text message, save or print our digital offers for later use. In addition, by utilizing location-based technology, our mobile applications notify our consumers of savings opportunities when they are shopping near major shopping malls and centers in the U.S. and the U.K. by sending alerts for digital offers that can be used in these locations.
- ***Reliability and curation of digital offer content:*** We use a combination of technology and people to validate and curate our digital offer content. We use proprietary algorithms to change the display of our digital offer content and technology to validate select digital offer content within our marketplace. Our operations team actively monitors the most frequently visited digital offer content in our marketplace to ensure content quality and curates such digital offer content by updating and changing the display and description of digital offers. Additionally, we leverage feedback from our large user community and our proprietary algorithms to measure performance and relevancy of our digital offers. Our focus on digital offer quality and curation is intended to provide a high-quality experience for consumers.
- ***Relevance and personalization:*** By having a selection of digital offers from thousands of large and small retailers, we can present more comprehensive and relevant content for our large and engaged user community. Consumers can sign up for email alerts for digital offers from their favorite retailers and brands. We use this and other information to keep our users informed via email and mobile alerts about digital offers we believe would be relevant to them. We have also continued to increase personalization of our websites, applications and email newsletters. For example, the homepage for RetailMeNot.com and the home screen in the RetailMeNot mobile application include personalized content recommendations based on a user's favorite stores or browsing history.

Solutions for Retailers and Brands

We believe we are a trusted partner to retailers and brands with which we had contracts in 2015, or paid retailers. We provide our paid retailers access to a large and engaged consumer audience during their shopping experience. Key elements of our solution for paid retailers include:

- ***Access to large consumer audience:*** We provide retailers access to one of the largest marketplace dedicated to digital offers, offering a large and engaged audience of consumers with intent to purchase. The scale of our platform increases our ability to drive conversion by rapidly disseminating and promoting digital offers to an engaged consumer audience at scale.
- ***Multichannel engagement with consumers:*** Our websites and mobile applications offer retailers access to consumers who are shopping online and in-store. In 2015, we had more than 718 million visits to our websites and during the three month period ending December 31, 2015, averaged approximately 23.2 million mobile unique visitors each month. We also had more than 43.6 million email subscribers. In particular, our mobile websites and applications enable retailers to connect with consumers shopping online on their mobile devices and in-store by increasing consumer awareness of discounts and promotions available to them.
- ***Broad array of digital offer types:*** We offer a wide range of digital offer types for retailers and brands to help drive their desired outcomes. For example, in 2015, we expanded our cash-back rebates onto certain of our websites and mobile applications. We believe this digital offer type appeals primarily to brands because it allows them to provide discounts directly to consumers that are not specific to a particular retailer. We believe this content type also appeals to retailers that do not traditionally use coupons and with which we did not traditionally have a paid relationship. We also

introduced curated offers on specific products in the RetailMeNot mobile application, which is a departure from our traditional retailer-oriented presentation of content. The variety of solutions available in our marketplace, in our view, provides retailers and brands with a differentiated platform to drive recognition and sales.

- ***Trusted partnerships and strategic dialogues:*** We maintain ongoing strategic dialogues in an effort to develop and maintain long-term relationships with our paid retailers. Our retailer and brands solutions team works closely with the marketing teams of our paid retailers to optimize the performance of their digital offers. We proactively work with our paid retailers to curate their digital offers to drive sales and build consumer trust. We believe our marketplace provides a consistent, high-quality user experience, which reflects positively on the image of our paid retailers.
- ***Measurable ROI and pay-for-performance:*** We believe retailers and brands focus on channels with clearly quantifiable ROI and pay-for-performance transactional models. We derive a substantial majority of our revenues from commissions paid to us by paid retailers for redemption of digital offers. In those cases, our paid retailers pay a commission to us only after a consumer has made a purchase. Paid retailers are also able to track the performance of their digital offers in order to monitor and control key aspects of their campaign. Our quantifiable, pay-for-performance model allows paid retailers to effectively measure ROI while acquiring new customers, increasing sales and driving brand loyalty.

Our Competitive Strengths

Our competitive strengths include:

- ***Global leader with strong scale and brands:*** We believe our strong brand recognition has allowed our marketplace to become a leading destination for consumers looking to save money on retail purchases. As a result, nearly 90% of traffic to our websites was generated from unpaid sources in 2015. In addition to RetailMeNot.com, our international brand portfolio includes VoucherCodes.co.uk in the U.K., Poulpeo.com and Ma-Reduc.com in France, Actiepagina.nl in the Netherlands, RetailMeNot.de in Germany, RetailMeNot.es in Spain and RetailMeNot.ca in Canada.
- ***Trusted partner to leading retailers:*** In 2015, we maintained relationships with more than 12,000 paid retailers. We help retailers drive sales and acquire new customers through our multichannel marketplace. We also help our paid retailers optimize their digital offer campaigns to provide a consistent, high-quality user experience, which we believe reflects positively on the brand image of these retailers. As evidence of our successful partnerships with paid retailers, we have been able to grow over time the number of exclusive digital offers we offer to consumers. Exclusive digital offers are often more compelling offers, and therefore drive heightened consumer interest and help portray our marketplace as the leading destination for digital offers. Our pay-for-performance model enables us to have a mutually beneficial relationship with our paid retailers, as they pay a commission to us only after a sale is made. This model also allows our paid retailers to effectively measure marketing ROI.
- ***Network effects:*** As more consumers use our websites and mobile applications, we attract more retailers and brands to our platform looking for a large audience to drive sales. As the number of retailers and brands in our marketplace increases, we are able to offer more and differentiated digital offers to consumers, which in turn attracts a larger consumer audience. As our consumer audience grows, retailers and brands are more willing to enter into paid relationships with us and provide us with exclusive digital offers to attract our audience of consumers. We believe that additional content, in the form of food and dining digital offers, cash-back rebates and discounted digital gift cards, will further increase the network effects of our marketplace.
- ***Large community of actively engaged users:*** We foster and support a passionate user community that contributes to certain of our websites by submitting digital offers and helps curate the content on our websites. We leverage our community's passion for savings and their participation in curating the content that we provide to deliver compelling and relevant offer selection to our broad consumer audience. We believe that this engagement by our consumers increases the quality of our content, while lowering our costs to curate and moderate that content ourselves.
- ***Strong technology platform and proprietary data:*** Our technology platform is designed to provide the reliability and security necessary to support the large and growing base of consumers, retailers and brands in our marketplace. As engagement in our marketplace increases, we are able to collect more proprietary data on users and consumer shopping behavior, which allows us to further develop and improve our marketplace to better serve consumers and offer more value to retailers and brands. This data is difficult to replicate and enables us to offer retailers and brands insight into their digital offer performance. Additionally, our technology serves as a basis to design and support innovative solutions and to further automate and standardize our processes.

Our Growth Strategy

Our objective is to become the leading digital savings destination connecting consumers with retailers, restaurants and brands, both online and in-store. Our strategies to achieve this goal include:

Grow depth of paid relationships with retailers. We have increased the resources we dedicate to our retailer and brand solutions team in order to deepen our relationships with existing paid retailers and attract new paid retailers worldwide. We believe that this value proposition will help us grow our share of marketing promotional spending among our large retailer base and attract new paid retailers to our marketplace. We also aim to further strengthen our value proposition for retailers by expanding our retailer solutions. For example, we have introduced sponsored category listings, more advertising opportunities, discounted digital gift cards, cash-back rebates, digital circulars and showcases.

Enhance mobile solutions and in-store enablement. We intend to further develop our mobile optimized websites and invest in our mobile applications, including location services capabilities, in order to increase consumer use and monetization of our solutions from mobile devices. We believe that this technology will allow us to introduce new solutions and grow the number of consumers and paid retailers using our mobile solutions.

Enhance the breadth of available offers. We intend to expand the breadth of digital offer types available on our websites and mobile applications, including increasing the selection and inventory of discounted digital gift cards for purchases at leading retailers and brands, adding contextual information about retailers and adding cash-back rebates to incentivize consumers to transact with our retail and brand partners. We believe that this differentiated content will delight consumers by offering new savings opportunities. This in turn, should increase the frequency with which consumers use our solutions and may enhance our value to consumers during more stages of their shopping journey.

Increase traffic and monetization. To drive increased consumer traffic and net revenues, we intend to continue to invest in marketing to increase brand awareness and our retailer and brand solutions team to obtain more exclusive digital offers, both of which will attract more consumers to our marketplace. We will continue to deploy our digital offer content through targeted and measured email newsletters and alerts, mobile alerts, our social media presence, and select advertising, as well as other offline media efforts to increase the frequency of visits to our properties. Given our scale, we also benefit from our network effects to increase traffic and conversion as more digital offers drive more consumer traffic and retail commerce activity, which in turn attracts more digital offers to our marketplace. We also intend to introduce new methods of monetizing our consumer traffic, particularly the traffic to our mobile websites and applications, through a variety of methods, including improved attribution credit to us for the sales that we help drive for our retail and brand partners, the use of pricing structures other than our traditional commission based model (particularly with respect to advertising) and the use of multichannel digital offer solutions.

Invest in technology, innovation and data capabilities. Innovation is a key element of our strategy, and we will continue to make significant investments in research and development to further improve our user interface, solution and platform integration, features and functionality, as well as our online and mobile technologies and data collection and analytic capabilities. Our product innovation initiatives are designed to minimize friction in consumers' shopping experience with digital offers from start to finish and provide our retailers and brands with solutions that increase consumer sales. Our key technology investment strategies include: further integrating our online and mobile product offerings; developing personalization tools to further tailor digital offers on our websites, mobile applications and email products to increase user frequency; and leveraging data and analytics to encourage repeat usage of our websites and mobile applications by consumers and help paid retailers better understand consumer behavior and measure the effectiveness of their marketing spend, across our multichannel marketplace. We also intend to continue to increase the efficiency and scalability of our international operations through deployment of certain standardized components of our technology.

Invest in our community of users. We intend to make investments to foster and support the user community of certain of our websites and mobile applications. These investments include enhancements to our process for submitting digital offers located by our users, new social features and improvements in user experience. We believe these investments will drive increased engagement by users leading to increased frequency of use as well as continuing to encourage submission of digital offers.

Expand internationally. We have successfully leveraged our established business model to expand into attractive new geographies, including the U.K., France, Germany, the Netherlands, Spain and Canada. We intend to further grow our international presence in these markets and continue our geographic expansion efforts in markets with attractive commerce profiles and trends.

Pursue strategic acquisitions. We intend to continue pursuing expansion opportunities in existing and new markets, as well as in core and adjacent categories and complementary technology through strategic acquisitions.

Our Products and Services

In our marketplace, we offer products and services to allow consumers to save money and retailers and brands to generate sales.

Products and Services for Consumers

Our product development approach is centered on building products that enable consumers to discover quality digital offers, virtually anytime and anywhere, and redeem them online or in-store. Our products and services for consumers are free of charge and available through our websites and mobile applications.

Websites. We offer our consumers hundreds of thousands of digital offers from tens of thousands of retailers and brands across multiple product categories. Consumers visiting our websites search for and discover digital offers based on retailer name, product, category, digital offer type, popularity, success rate and other characteristics. Once a consumer discovers a relevant online digital offer, the consumer clicks on that digital offer and is typically directed to the website of the respective retailer, where the consumer is able to purchase products and redeem the digital offer. Consumers can redeem these digital offers in-store by simply scanning the barcode at the retailer's register or by having the sales associate enter the promotional code shown on the consumer's mobile screen into their point-of-sale system.

Mobile applications. Our mobile applications allow consumers to shop when they want, where they want. Consumers use our mobile applications to discover, store for use later and access the digital offers they want and to redeem them both online and in-store. They can browse top digital offers, popular stores and product category listings. Our mobile applications also allow users to share digital offers with others via email, text message or through social media channels. The RetailMeNot mobile application provides a *Just for You* feature designed to inform the consumer of the top digital offers available at their favorite stores, an *Our Best* feature that provides the consumer with the best curated new digital offers of the day, and a *Daily Deals* feature that displays curated product offerings. In addition, utilizing location-based technology, the RetailMeNot mobile application notifies consumers of savings opportunities when they are shopping near shopping malls and centers by sending consumers alerts for digital offers that can be used in these locations. Once a consumer discovers a relevant online digital offer, the consumer clicks on that digital offer and is typically directed to the website of the respective retailer, where the consumer is able to purchase products and redeem the digital offer. Consumers also can redeem certain of these digital offers in-store on our mobile websites by simply scanning the barcode at the retailer's register or by having the sales associate enter the promotional code shown on the consumer's mobile screen into their point-of-sale system.

Email newsletters and alerts. Consumers can subscribe to receive our periodic email newsletters and alerts. Our email newsletters allow consumers to stay informed about featured digital offers, while our alerts notify consumers when digital offers from their preferred retailers become available.

- Email newsletters: Our newsletters are sent several times a week and typically include the top digital offers for featured retailers. A portion of these newsletters feature digital offers that are targeted to our consumers based on their past activity on our websites, their affinity for certain retailers or certain types of shopping categories and other proprietary data about the user.
- Alerts: Our alerts provide consumers with new digital offers for their favorite retailers, as they become available.

Products and Services for Retailers and Brands

We provide retailers and brands with access to a large and engaged consumer audience.

Multichannel access to consumers. We provide retailers and brands with access to new customers through multiple channels online on our websites and mobile applications, by email newsletters and alerts and our social media presence, and in-store by displaying a digital offer on a mobile device or presenting a printed offer. We allow retailers and brands to provide consistent digital offers across these multiple channels.

Advertising. We provide our paid retailers with a variety of advertising opportunities to increase the impact of their digital offer campaigns. Our most common advertising opportunities include prominent placement within the top digital offer listings of our homepage, our category pages, our email newsletter, solo retailer newsletter campaigns and on the landing page of our

mobile websites and applications. We also offer digital circulars and product showcases, which provide our paid retailers the opportunity to display digital offers with brand imagery through our websites and mobile applications. We are able to assist our retailers in identifying users likely to engage with their digital offers through analysis of the data we collect related to our users' preferences and shopping habits. We typically charge a flat fee for these advertising opportunities on a campaign basis for a given period of time. Advertising rates may vary depending upon the distribution channel, seasonality, placement prominence, traffic and the length of time a retailer runs an advertisement through our marketplace.

Our Websites, Mobile Applications and Brands

We operate a portfolio of digital offer websites and mobile applications that span multiple geographic locations and languages. We acquired the majority of the websites we operate today and have typically maintained the brand name we acquired in each local market given the brand awareness of each website created prior to our acquisition. Each of these websites and mobile applications provides the same core set of solutions: consumers use these websites and mobile applications at no charge to search for and discover digital offers they can redeem online or in-store with leading retailers and brands.

We use the RetailMeNot brand in the U.S., including RetailMeNot.com, our mobile optimized website and the RetailMeNot mobile applications currently available for free for iPhone and Android, and in Canada, through RetailMeNot.ca. We expect to continue to focus our efforts on building the RetailMeNot brand in the U.S. and Canada.

We acquired the business of VoucherCodes.co.uk. in August 2011, which is our brand in the U.K. The VoucherCodes.co.uk. brand includes the VoucherCodes.co.uk. website and mobile applications currently available for free for iPhone and Android. In May 2012, we re-launched our website Deals.com to serve consumers and retailers in Germany. In November 2015 we launched our website RetailMeNot.de to serve Germany and ceased support for the Deals.com brand.

Also in May 2012, we acquired the businesses of Bons-de-Reduction.com and Poulpeo.com in France. In October 2015, we decided to no longer support the Bons-de-Reduction.com brand. As a result, we have redirected traffic from Bons-de-Reduction.com to Poulpeo.com. The Poulpeo.com brand includes the Poulpeo.com website and mobile application currently available for free for iPhone and Android. As of March 1, 2013, we established operations in the Netherlands through the acquisition of the business of Actiepagina.nl. In June 2013, we launched our website RetailMeNot.ca to serve English-speaking consumers and retailers in Canada. In July 2013, we expanded our presence in France through the acquisition of the business of Ma-Reduc.com. The Ma-Reduc brand includes the Ma-Reduc.com website and mobile application currently available for free for iPhone and Android. In January 2016, we launched our website RetailMeNot.es to serve Spain.

Our primary websites and mobile applications include:

Website	Mobile Applications	Geographic Location Served	Language	Focus
Retailmenot.com	iPhone & Android	U.S.	English	Online and In-Store Offers
VoucherCodes.co.uk	iPhone & Android	U.K.	English	Online and In-Store Offers
Poulpeo.com	iPhone & Android	France	French	Online Offers with Cash Back
Ma-Reduc.com	iPhone & Android	France	French	Online Offers
Actiepagina.nl	None	Netherlands	Dutch	Online Offers
RetailMeNot.de	None	Germany	German	Online Offers
RetailMeNot.ca	None	Canada	English	Online Offers
RetailMeNot.es	None	Spain	Spanish	Online Offers

Technology and Infrastructure

Product development and innovation are core pillars of our strategy. Our product team works to regularly deliver innovative products and features in an effort to provide the best possible consumer experience and drive sales for retailers and brands. The responsibilities of our product team span the lifecycle of identifying consumer and retailer needs, defining and designing products, testing, developing go-to-market strategies, and measuring the performance of new products and features. The team is focused on enhancing our core solutions, optimizing the user experience for consumers, and building better business results for our paid retailers. We provide our online and mobile solutions using a combination of in-house and third-party technology solutions and products.

We have developed proprietary systems architecture for use in creating, maintaining and operating our websites and mobile applications. This technology consists of internal development by our staff of designers and engineers and makes use of software acquired or licensed from outside developers and companies. Our systems are designed to serve consumers and our retailers' operations teams in an automated and scalable fashion. While we use a variety of technologies, the majority of our software systems are written in PHP and Java by engineers employed or contracted by us. Our product development expenses were $51.6 million, $47.9 million and $30.6 million in 2015, 2014 and 2013, respectively. Our software is comprised of four major areas:

- public facing websites and mobile applications;
- content quality management systems;
- data management and reporting; and
- infrastructure tools.

Our websites and mobile applications are hosted in the U.S., U.K., France, Ireland and the Netherlands using a combination of third-party co-location hosting centers and cloud-based hosting services. Our systems architecture has been designed to manage increases in traffic on our websites and mobile applications through the addition of server and network hardware without making software changes. Our third-party data centers provide our websites, mobile applications and online tools with scalable and redundant Internet connectivity and redundant power and cooling to our hosting environments. We use security methods in an effort to ensure the integrity of our networks and to protect confidential data collected and stored on our servers. For example, we use firewall technology to protect access to our networks and to our servers and databases on which we store confidential data. We have developed and use internal policies and procedures to protect the personal information of our users. We test for unauthorized external access to the network daily using automated services and conduct periodic audits performed by outsourced security consultants.

Competition

The market to attract consumers seeking to save money on purchases online and in-store, and retailers and brands seeking to drive sales and acquire new customers is highly competitive, fragmented and rapidly changing with limited barriers to entry.

Our competition for traffic from consumers seeking to save money on online or in-store purchases includes digital offer websites and mobile applications, cash-back and loyalty websites, retailers, search engines, social networks, comparison shopping websites, newspapers and direct mail campaigns. We believe that our primary competition is from other digital offer websites, including Goodsearch, dealspl.us, bradsdeals, savings.com, Tech Bargains and Coupon Cabin. In addition to such competitors, we are experiencing increasing competition from other businesses that offer digital offers similar to ours as an add-on to their core business. For example, Groupon, Living Social, Coupons.com and Facebook provide digital offers, Google promotes product-listing advertisements adjacent to its search results and Google and PayPal provide digital offers for in-store purchases. Further, with the introduction of cash-back rebates and discounted digital gift cards, we now compete with businesses that provide similar offerings, including ebates and raise.com. While some of our actual and potential competitors enjoy substantial competitive advantages over us, such as superior name recognition, substantially greater financial, technical and other resources and longer history of competing in relevant geographies, we believe that we compete favorably based on our leadership position in digital offers, our strong brand awareness, our broad selection and quality of digital offers from leading retailers and brands, our trusted partnerships with retailers, our network effects and our large community of actively engaged users.

Retailers and brands have a number of marketing options to choose from when deciding how to reach consumers. Our competition for marketing spend includes digital offer sites that offer a pay-for-performance model, search engines and social networks that compete for online advertising spend and television, magazines and newspapers that compete for offline advertising spend. We believe the principal factors that make us appealing in the competition for retailers' marketing spend include our large and engaged audience of consumers, our multichannel engagement across online, mobile, social and in-store, our trusted marketplace that protects retailers' brands, and our pay-for-performance model that provides retailers and brands measurable ROI, reporting and analytics.

Intellectual Property

Our intellectual property includes the content of our websites, our registered domain names, our registered and unregistered trademarks and our patent applications. We believe that our intellectual property is an important asset of our business and that our RetailMeNot.com, VoucherCodes.co.uk, Poulpeo.com, Ma-Reduc.com, Actiepagina.nl, Deals.com, RetailMeNot.de, RetailMeNot.ca, RetailMeNot.es and other domain names and our technology infrastructure give us a

competitive advantage in the digital offer market. We rely on a combination of trademark, copyright and trade secret laws in the U.S. and Europe, as well as contractual provisions, to protect our proprietary technology and our brands. We currently have trademarks registered or pending in the U.S., Europe, Australia, Canada, India, South Korea, Singapore and China for our name and certain words and phrases that we use in our business. We also rely on copyright laws to protect software relating to our websites and our proprietary technologies, although we have not registered for copyright protection to date. We have registered numerous Internet domain names related to our business in order to protect our proprietary interests. As of December 31, 2015, we had three patents issued and 72 patent applications, including six provisional patent applications pending, related to the use and operation of discount websites and related mobile applications as well as the provision and redemption of digital offers. We also enter into confidentiality agreements with our employees and consultants and seek to control access to and distribution of our proprietary information in a commercially prudent manner. In addition, we license third-party technologies that are incorporated into some elements of our solutions.

The efforts we have taken to protect our intellectual property rights may not be sufficient or effective, and, despite these precautions, it may be possible for other parties to copy or otherwise obtain and use the content of our websites without authorization. We may be unable to prevent competitors from acquiring domain names or trademarks that are similar to, infringe upon or diminish the value of our domain names, trademarks, service marks and our other proprietary rights. Failure to protect our proprietary rights adequately could significantly harm our competitive position and operating results.

Employees

As of December 31, 2015, we had 522 employees. We consider our current relationship with our employees to be good. Other than our French employees, none of our employees is represented by a labor union or is a party to a collective bargaining agreement.

Culture

We believe that a critical component of our success has been our corporate culture, which we believe fosters innovation, encourages teamwork, cultivates creativity and promotes a focus on execution. We have nurtured this culture since our inception and maintained an environment designed to promote openness, honesty, responsibility, mutual respect and the pursuit of common goals. We believe our culture gives us a competitive advantage in recruiting talent in the highly competitive fields that are critical to our success.

Segments

We have one operating and reporting segment consisting of various products and services that are all related to our marketplace for digital offers. For a discussion of revenue, net income and total assets, see Part II, Item 8: "Financial Statements" of this Annual Report on 10-K.

Geographic Information

Financial information about geographic areas is set forth in Note 12 of the Notes to Consolidated Financial Statements under Part II, Item 8: "Financial Statements" of this Annual Report on Form 10-K. For a discussion of the risks attendant to foreign operations, see the information in Part 1, Item 1A: "Risk Factors" under the caption "We are subject to international business uncertainties that could adversely affect our operations and operating results."

Seasonality

Our operating results fluctuate from quarter to quarter as a result of a variety of factors, including seasonal factors and economic cycles that influence consumer purchasing of retail products. Historically, we have experienced the highest number of visits, mobile unique visitors and net revenues in the fourth quarter of the year, which coincides with the winter holiday season in the U.S. and Europe. This seasonality may not be fully evident in our historical business performance because of our significant growth and the timing of our acquisitions. For instance, we have entered new markets through international acquisitions and increased the number of paid retailer and performance marketing network relationships. These changes have contributed to the substantial growth in our net revenues and corresponding increases in our operating costs and expenses to support our growth. Further, net revenues from our advertising and in-store products are even more heavily weighted to the fourth quarter of the year. As net revenues from this part of our business grow as a percentage of overall net revenues, our seasonality may increase.

Our investments have led to uneven quarterly operating results due to increases in personnel costs, product and technology enhancements and the impact of our acquisitions and other strategic projects. The return on these investments is generally achieved in future periods and, as a result, these investments can adversely impact near term results.

Our business is directly affected by the behavior of consumers. Economic conditions and competitive pressures can impact, both positively and negatively, the types of digital offers featured on our websites and the rates at which consumers use them. Consequently, the results of any prior quarterly or annual periods should not be relied upon as indications of our future operating performance.

Available Information

Our corporate Internet address is www.retailmenot.com/corp and our investor relations website is located at http://investor.retailmenot.com. We make available free of charge on our investor relations website under the headings “Financials and Filings” and “SEC Filings” our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports as soon as reasonably practicable after such materials are electronically filed with (or furnished to) the SEC. Information contained on our websites is not incorporated by reference into this Annual Report on Form 10-K. In addition, the public may read and copy materials we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site, www.sec.gov, that includes filings of and information about issuers that file electronically with the SEC.

Item 1A. Risk Factors.

Our business, prospects, financial condition or operating results could be materially adversely affected by any of the risks and uncertainties described below, as well as other risks not currently known to us or that are currently considered immaterial. The trading price of our Series 1 common stock could decline due to any of these risks, and you may lose all or part of your investment. In assessing these risks, you should also refer to the other information contained in this Annual Report on Form 10-K, including our consolidated financial statements and related notes.

Risks Related to Our Business

We are an early-stage company with a limited operating history, which makes it difficult to evaluate our current business and future prospects and may increase the risk of your investment.

We began our operations in September 2007 and did not enter the digital offer industry until late 2009. Our limited operating history may make it difficult to evaluate our current business and our future prospects. We have encountered and will continue to encounter risks and difficulties frequently experienced by companies in rapidly changing industries, including challenges in accurate financial planning and forecasting. You should consider our business and prospects in light of the risks and difficulties we may encounter as an early-stage company.

Traffic to our desktop websites has declined year-over-year and the rate of growth of traffic to our mobile websites is slowing year-over-year. If we are unable to continue to attract visitors to our websites from search engines, then consumer traffic to our websites could decrease, which could negatively impact the number of purchases generated for our retailers through our marketplace, and therefore negatively impact our ability to maintain or grow our net revenues and profitability.

We generate consumer traffic to our websites using various methods, including search engine marketing, or SEM, search engine optimization, or SEO, email campaigns and social media referrals. Our net revenues and profitability are dependent upon our continued ability to use a combination of these methods to generate consumer traffic to our websites in a cost-efficient manner. We have experienced and continue to experience fluctuations in search result rankings for a number of our websites. There can be no assurances that we will be able to grow or maintain current levels of consumer traffic either as a whole or with respect to either our desktop or mobile websites.

Our SEM and SEO techniques have been developed to work with existing search algorithms utilized by the major search engines. Major search engines frequently modify their search algorithms. Changes in these algorithms could cause our websites to receive less favorable placements, which could reduce the number of users who visit our websites. For example, in 2014 and 2015, a major search engine released updates to its search algorithm that impacted the rankings of our websites for certain keywords. In some of those instances, consumer traffic to our websites decreased when compared to traffic levels immediately prior to each of these algorithm updates. As of December 31, 2015, traffic to our websites had not returned to levels immediately prior to a May 2015 algorithm update due, in part, to changes in search result rankings for certain keywords. We may be unable to modify our SEM and SEO strategies in response to any future search algorithm changes made by the major search engines, which could require a change in the strategy we use to generate consumer traffic to our websites. In addition, websites must comply with search engine guidelines and policies. These guidelines and policies are complex and may change at any time. If we fail to follow such guidelines and policies properly, search engines may rank our content lower in search results or could remove our content altogether from their indices. If we fail to understand and comply with these guidelines, our SEO strategy may become unsuccessful.

In some instances, search engines may change their displays or rankings in order to promote their own competing products or services or the products or services of one or more of our competitors. For example, a major search engine currently promotes its product-listing advertisements adjacent to its search results and has increased the number of paid search results on mobile websites for certain keywords reducing visibility of organic search results, each of which could reduce traffic to our websites. Given the large volume of search-driven traffic to our websites and the importance of the placement and display of results of a user's search, similar actions in the future could have a negative effect on our business and results of operations.

If we are listed less prominently or fail to appear in search result listings for any reason, it is likely that the number of visitors to our websites will decline. Any such decline in consumer traffic to our websites could adversely impact the number of purchases we generate for our retailers, which could in turn adversely affect our online transaction net revenues. For example, after a major search engine released updates to its search algorithm in May 2014 and in the second quarter of 2015, consumer traffic to our websites decreased in some instances when compared to traffic levels immediately prior to each algorithm update, which negatively impacted our online transaction net revenues. We may not be able to replace this traffic with the same volume of visitors or in the same cost-effective manner from other channels, such as SEM, display advertising, e-mail or social media,

or at all. An attempt to replace this traffic through other channels may require us to increase our sales and marketing expenditures, which would adversely affect our operating results and which additional net revenues may not offset.

Although consumer traffic to our mobile applications is not reliant on search results, growth in mobile device usage may not decrease our overall reliance on search results if mobile users use our mobile websites rather than our mobile applications. In fact, growth in mobile device usage may exacerbate the risks associated with how and where our websites are displayed in search results because mobile device screens are smaller than desktop computer screens and therefore display fewer search results.

Consumers are increasingly using mobile devices to access our content and if we are unsuccessful in expanding the capabilities of our digital offer solutions for our mobile platforms to allow us to generate net revenues as effectively as our desktop platforms, our net revenues could decline.

Web usage and the consumption of digital content are increasingly shifting to mobile platforms such as smartphones and other connected devices. In 2015, visits to our mobile websites represented approximately 41% of the total visits to our websites, and we expect the percentage of visits to our mobile websites to continue to grow. Industry-wide solutions to monetize digital offer content effectively on these platforms are at an early stage of development and the future demand and growth prospects for digital offer content on these mobile platforms are uncertain. Further, the rate at which we monetize digital offer content on our mobile websites and applications is significantly lower than the on our desktop websites.

The growth of our business depends in part on our ability to deliver compelling solutions to consumers and retailers both online and for use in store through these new mobile marketing channels. Our success on mobile platforms will be dependent on our interoperability with popular mobile operating systems that we do not control, such as Android and iOS, and any changes in such systems that degrade our functionality or give preferential treatment to competitive services could adversely affect usage of our services through mobile devices.

Further, to deliver high quality mobile offerings, it is important that our solutions integrate with a range of other mobile technologies, systems, networks and standards that we do not control. We may not be successful in developing relationships with key participants in the mobile industry or in developing products that operate effectively with these technologies, systems, networks or standards. For example, some retailers today do not recognize affiliate tracking links on their mobile websites or applications, and affiliate tracking links on mobile websites or applications may not function to allow retailers' sales to be attributed to us. Further, consumers may click on a digital offer displayed on our mobile websites or in our mobile applications, but execute a purchase using that digital offer on a different platform, such as on the retailer's desktop website or in-store (a circumstance known as cross device switching), which may result in those retailer sales not being attributed to us. As a result, in each such case, we may not receive commission revenues when a consumer executes a purchase on the retailer's platform after clicking through a digital offer displayed on our mobile websites or in our mobile applications. If retailers fail to recognize affiliate tracking links on their mobile websites or applications, or affiliate tracking links on mobile websites or applications do not function to allow retailers' sales to be attributed to us and our mobile traffic continues to represent a significant percentage of our consumer traffic, or increases, our business could be harmed and our operating results could be adversely affected.

If we fail to develop mobile applications and mobile websites that effectively address consumer and retailer needs, or if we are not able to implement strategies that allow us to monetize mobile platforms and other emerging platforms, our ability to grow will be constrained, and our business, financial condition and operating results would be adversely affected.

If retailers alter the way they attribute credit to publishers in their performance marketing programs, our net revenues could decline and our operating results could be adversely affected.

Retailers often advertise and market digital offers through performance marketing programs, a type of performance-based marketing in which a retailer rewards one or more publishers such as us for each visitor or customer generated by the publisher's own marketing efforts. When a consumer executes a purchase on a retailer's website as a result of a performance marketing program, most performance marketing conversion tracking tools credit the most recent link or ad clicked by the consumer prior to that purchase. This practice is generally known as "last-click attribution." We generate the vast majority of our net revenues through transactions for which we receive last-click attribution. In recent years, some retailers have sought, and in some cases adopted, alternatives to last-click attribution. These alternatives are primarily "first-click attribution," which credits the first link or ad clicked by a consumer prior to executing a purchase, or "multichannel attribution," which applies weighted values to each of a retailer's advertisements and tracks how each of those advertisements contributed to a purchase. If retailers widely adopt first-click attribution, multichannel attribution or otherwise alter the ways they attribute credit for

purchases to us, and if we are unable to adapt our business practices to such alterations, our net revenues could decline and our business, financial condition and operating results could be adversely affected.

If we fail to retain existing users or add new users, or if our users decrease their level of engagement with our products, our revenue, financial results and business may be significantly harmed.

The size of our user base and our users' level of engagement are important to our success. Our financial performance has and will continue to be significantly determined by our success in adding, retaining, and engaging our users. If consumers do not perceive our products to be useful, we may not be able to attract or retain users or otherwise maintain or increase the frequency of their engagement. There is no guarantee that we will not experience an erosion of our active user base or engagement levels. Any number of factors could potentially negatively affect user retention, growth and engagement, including if:

- users increasingly engage with other products or services through which they obtain digital offers;
- we fail to introduce new products or services that users find engaging or if we introduce new products or services that are not favorably received;
- we are unable to obtain digital offers that consumers find useful, particularly with respect to offers for our in store solution which is still in its early stages and for which a broad source of supply has not been established;
- we are unable to develop products for mobile devices that users find engaging, that work with a variety of mobile operating systems and networks, and that achieve a high level of market acceptance;
- we are unable to ensure that users are presented with content that is useful and relevant to them;
- users perceive that the quality of digital offers available through our marketplace has decreased;
- our mobile applications fail to be prominently featured in iOS and Android application stores; or
- there are decreases in user sentiment about the quality or usefulness of our products or offers or concerns related to privacy, security or other factors.

If we are unable to maintain or increase our user base and user engagement, our revenue and financial results may be adversely affected. Any decrease in user retention, growth or engagement could render our marketplace less attractive to retailers and brands, which is likely to have a material and adverse impact on our revenue, business, financial condition and results of operations. If our desktop website traffic continues to decline and if our mobile website traffic growth rate continues to slow, or to decline, we will become increasingly dependent on our ability to maintain or increase levels of user engagement and associated monetization in order to maintain our current revenues or drive revenue growth.

If we are unable to retain our existing retailers, expand our business with existing retailers or attract new retailers and consumers, our net revenues could decline.

Our ability to continue to grow our net revenues will depend in large part on expanding our business with existing retailers and attracting new retailers. The number of our current retailers may not expand materially beyond our existing base and may decline. Even for our largest retailers, the amount they pay us is typically only a small fraction of their overall advertising budget. Retailers may view their spend with us as experimental, particularly with respect to our in-store solution, and may either reduce or terminate their spend with us if they determine a superior alternative for generating sales. In addition, retailers may determine that distributing digital offers through our platform results in undesirably broad distribution of their digital offers or otherwise does not provide a compelling value proposition. Some retailers have demanded that we remove digital offers relating to their products or services from our marketplace, and we anticipate that some retailers will do so in the future. Retailers have in some cases reduced, and may reduce in the future, the commission rates they pay to us for sales we facilitate. If we are unable to negotiate favorable terms with current or new retailers in the future, including the commission rates they pay us, our operating results will be adversely affected.

The sales process for our in-store solution varies from that of our online business. Specifically, the sales cycle for retailers considering adopting the solution for the first time tends to be longer on a comparative basis than with respect to offers on other portions of our marketplace. That sales process can involve establishing new direct relationships with retailers as they may fund in-store offers from different budgets than those reserved for publishers participating in performance marketing programs with the same retailers. For these and other reasons, it may be comparatively more difficult to expand the number of retailers using the in-store portion of our marketplace.

While we enter into agreements with certain retailers that may be performed over a period of one year or longer, retailers generally do not enter into long-term obligations with us requiring them to use our solutions. Retailers' contracts with us, with few exceptions, are cancelable upon short or no notice and without penalty. We cannot be sure that our retailers will continue to

use our solutions or that we will be able to replace retailers that do not renew their campaigns with new ones generating comparable revenues.

If we are unable to attract new consumers and maintain or increase consumer traffic to our websites and use of our mobile applications, new retailers may choose not to use, and existing retailers may not continue to use, our solutions for their promotional campaigns, and our volume of new digital offer inventory may suffer as the perceived usefulness of our marketplace declines. If our existing retailers do not continue to use our solutions for their promotional campaigns, or if we are unable to attract and expand the amount of business we do with new retailers, our sales will decrease and our operating results will be adversely affected.

We experience quarterly fluctuations in our operating results due to a number of factors that make our future results difficult to predict and could cause our operating results to fall below expectations or our guidance.

Our business is subject to seasonal fluctuations. Specifically, our net revenues are traditionally strongest in the third and fourth quarters of each year due to increases in holiday shopping. Conversely, our first and second quarter net revenues are typically lower.

Since the majority of our expenses are personnel-related and include salaries and stock-based compensation, benefits and incentive-based compensation plan expenses, we have not experienced significant seasonal fluctuations in the timing of our expenses from period to period other than increases in discretionary advertising and promotional spending during the third and fourth quarter holiday shopping period. We may continue to increase our investment in sales, engineering and product development substantially as we seek to leverage our solution to capitalize on what we see as a growing global opportunity. For the foregoing reasons or other reasons we may not anticipate, historical patterns should not be considered indicative of our future sales activity, expenditure levels or performance.

Factors that may affect our quarterly operating results include the following:

- the number and quality of the digital offers on our websites and mobile applications;
- consumer visits to our websites and use of our mobile applications, and purchases by consumers resulting from those visits or application sessions;
- our ability to maintain or increase the commissions and other revenues associated with consumer visits to our mobile websites or use of our mobile applications;
- the success and costs of our online advertising and marketing initiatives, including advertising costs for paid search keywords that we deem relevant to our business and advertising costs for driving consumer downloads of our mobile applications;
- the levels of compensation that retailers are willing to pay us to attract customers;
- the amount that consumers spend when they make purchases using the digital offers we provide;
- market acceptance of our current and future solutions, including our ability to retain current retailers, sell additional solutions to existing retailers and to add new retailers to our business in multiple regions around the world;
- our ability to achieve performance targets anticipated by us in setting our operating and capital expense budgets;
- overall levels of consumer spending;
- the budgeting cycles of our retailers;
- the cyclical and discretionary nature of marketing spend and any resulting changes in the number and quality of digital offers that retailers choose to offer;
- changes in the competitive dynamics of the digital offer industry, including consolidation among competitors, performance marketing networks or customers, and our reputation and brand strength relative to our competitors;
- the response of consumers to our digital offer content and our personalization initiatives;
- our ability to control costs, including our operating expenses;
- network outages, errors in our solutions or security breaches and any associated expenses and collateral effects;
- our ability to achieve the growth rate that was anticipated by us in setting our operating and capital expense budgets;
- foreign currency exchange rate fluctuations, as our foreign sales and costs are denominated in local currencies;
- interest rate fluctuations, as our senior indebtedness carries a variable interest rate;
- costs related to acquisitions or licensing of, or investments in, products, services, technologies or other businesses and our ability to integrate and manage any acquisitions successfully;

- our ability to collect amounts billed to retailers directly and through performance networks; and
- general economic and political conditions in our domestic and international markets.

As a result of these and other factors, we have a limited ability to forecast the amount of future net revenues and expenses, and our operating results may vary from quarter to quarter and have fallen, and may in the future fall, below our estimates or the expectations of public market analysts and investors. Fluctuations in our quarterly operating results may lead analysts to change their long-term models for valuing our common stock, cause us to face short-term liquidity issues, impact our ability to retain or attract key personnel or cause other unanticipated issues, all of which could cause our stock price to decline. As a result of the potential variations in our quarterly net revenues and operating results, we believe that quarter-to-quarter comparisons of our net revenues and operating results may not be meaningful and the results of any single quarter should not be relied upon as an indication of future performance.

We are highly dependent on performance marketing networks as intermediaries. Factors adversely affecting our relationships with performance marketing networks, or the termination of our relationships with these networks, may adversely affect our ability to attract and retain business and our operating results.

Most of our net revenues come from commissions earned for promoting digital offers on behalf of retailers. Often, the commissions we earn are tracked and paid by performance marketing networks. For 2015, 94.9% of our net revenues came from retailers that pay us through performance marketing networks, primarily Commission Junction and LinkShare. Performance marketing networks provide retailers with affiliate tracking links for attributing revenues to publishers like us and the ability to distribute digital offer content to multiple publishers. We do not have exclusive relationships with performance marketing networks. They do not enter into long-term commitments to us allowing us to use their solutions, and their contracts with us are cancelable upon short or no notice and without penalty.

Our sales could be adversely impacted by industry changes relating to the use of performance marketing networks. For example, if retailers seek to bring the distribution of their digital offer content in-house rather than using a performance marketing network, we would need to develop relationships with more retailers directly, which we might not be able to do and which could increase our sales, marketing and product development expenses. Additionally, we face challenges associated with consumers' increasing use of mobile devices to complete their online purchases. For example, many retailers currently do not recognize affiliate tracking links on their mobile websites or applications, and tracking mechanisms on mobile websites or applications may not function to allow retailers to properly attribute sales to us. As a result, we may not receive commission revenues when a consumer makes a purchase from their mobile device on a retailer's mobile website after clicking through a digital offer displayed on one of our websites or mobile applications if the retailer's mobile monetization mechanisms are not enabled.

Moreover, as a result of dealing primarily with performance marketing networks, we have less of a direct relationship with retailers than would be the case if we dealt directly with retailers. The presence of performance marketing networks as intermediaries between us and retailers creates a challenge to building our own brand awareness and affinity with retailers. Additionally, in the event that our relationship with a performance marketing network were to terminate, our mechanism for receiving payments from the retailers we service through that network would terminate, which could materially and adversely impact our net revenues. Additionally, retailers may fail to pay the performance marketing networks the fees the retailers owe, which is a prerequisite to us receiving our commissions from the networks.

Some performance marketing networks that we work with could be considered our competitors because they also offer some components of our solution, including publishing digital offers, on their own properties. For example, in September 2014, the parent company of LinkShare announced its purchase of ebates.com, a cash-back business with which we compete. LinkShare could elect to terminate its relationship with us or limit our ability to maintain or establish new relationships with retailers participating in its network in order to drive business to its own properties. If a performance marketing network further develops its own properties with digital offer capabilities or limits our access to its network for the purposes of driving revenue to its own properties, our ability to compete effectively could be significantly compromised and our business and operating results could be adversely affected.

The market in which we participate is intensely competitive, and we may not be able to compete successfully.

The market for digital offer solutions is highly competitive, fragmented and rapidly changing. Our competition for traffic from consumers seeking to save money on online or in-store purchases includes digital offer websites and mobile applications, cash-back, loyalty and discounted cash-back websites and mobile applications, retailers, search engines, social networks, comparison shopping websites, newspapers and direct mail campaigns. Our competition for retailer marketing spend includes

digital offer websites and mobile applications, search engines and social networks that compete for online advertising spend and television, magazines and newspapers that compete for offline advertising spend. With the introduction of new technologies and the influx of new entrants to the market, we expect competition to persist and intensify in the future, which could harm our ability to increase sales and maintain our profitability. We also expect competition in e-commerce generally, and digital offer solutions in particular, to continue to increase because there are no significant barriers to entry. A substantial number of digital offer websites and mobile applications, including those that attempt to replicate all or a portion of our business model, have emerged globally. In addition to such competitors, we are experiencing increasing competition from other businesses that provide digital offers similar to ours as an add-on to their core business. For example, Groupon, Living Social, Coupons.com and Facebook now provide digital offers, and Google and PayPal are now providing digital offers for in-store purchases. We also expect to compete against other websites and mobile applications that serve niche markets and interests and credit card issuers providing offers based on the user of a particular credit card at certain retailers and restaurants. In addition, we compete with traditional offline coupon and discount services, as well as newspapers, magazines and other traditional media companies that provide coupons and discounts on products and services.

Our success depends on the breadth, depth, quality and reliability of our digital offer selection, as well as our continued innovation and ability to provide features that make our marketplace useful and appealing to consumers. If we are unable to develop quality features that consumers want to use, then consumers may become dissatisfied with our marketplace and elect to use the offerings of one of our competitors, which could adversely affect our operating results.

Certain of our larger actual or potential competitors may have the resources to significantly change the nature of the digital offer industry to their advantage, which could materially disadvantage us. For example, a major search engine now displays product-listing advertisements above the organic search results returned by its search engine in response to user searches and has increased the number of paid search results on mobile websites for certain keywords reducing visibility of organic search results, each of which may reduce the amount of traffic to our websites. Additionally, potential competitors such as PayPal, Yahoo!, Bing and Facebook have widely adopted industry platforms which they could leverage to distribute digital offers that could be disadvantageous to our competitive position.

Our current and potential competitors may have significantly more financial, technical, marketing and other resources than we have, be able to devote greater resources to the development, promotion, sale and support of their products and services, have more extensive consumer bases and deeper relationships, and may have longer operating histories and greater name recognition than we have. As a result, these competitors may be better able to respond quickly to new technologies, develop deeper retailer relationships or offer services at lower prices. Any of these developments would make it more difficult for us to sell our solutions and could result in increased pricing pressure, reduced profit margins, increased sales and marketing expense or the loss of market share.

In the traditional coupon landscape, our primary competitors for advertising spend include publishers of printable coupons. Many of these competitors have significant consumer reach, well-developed retailer relationships, and much larger financial resources and longer operating histories than we have.

We also directly and indirectly compete with retailers for consumer traffic. Many retailers market and provide their own digital offers directly to consumers using their own websites, email newsletter and alerts, mobile applications, social media presence and other distribution channels. Our retailers could be more successful than we are at marketing their own digital offers or could decide to terminate their relationship with us because they no longer want to pay us to compete against them.

We may also face competition from companies we do not yet know about. If existing or new companies develop, market or resell competitive digital offer solutions, acquire one of our existing competitors or form a strategic alliance with one of our competitors, our ability to compete effectively could be significantly compromised and our operating results could be harmed.

Our business has grown in scope and complexity in recent periods. If we fail to manage that expansion, our financial performance may suffer.

We have expanded our overall business and product offerings, consumer traffic, paid retailers, employee headcount and operations in recent periods. We increased our total number of full-time employees from 164 as of December 31, 2011 to 522 as of December 31, 2015, after giving effect to our reduction in U.S. headcount by approximately 10% in August 2015. We have also established or acquired operations in other countries. In 2011, we acquired the business of VoucherCodes.co.uk, which is based in the U.K. In 2012, we acquired Bons-de-Reduction.com and Poulpeo.com, which are based in France, and relaunched Deals.com in Germany. In March 2013, we acquired Actiepagina.nl, which is based in the Netherlands. In July 2013, we acquired Ma-Reduc.com, which is based in France. In most of these instances, we previously had no presence in these countries. In October 2015, we decided to no longer support the Bons-de-Reduction.com brand. We have redirected traffic from

Bons-de-Reduction.com to Poulpeo.com. Finally, we have integrated new types of digital offers on our platforms, including digital rebates and discounted digital gift cards in fiscal 2015. In certain instances, we are the merchant of record for sale of gift cards, which is an evolution of the role we have traditionally played with our users. For various reasons, including those listed above, our business is becoming increasingly complex, especially in light of the increase in content types and our platforms as well as the number of acquisitions we have integrated and may in the future integrate. Our limited operating history, reliance on multiple websites, mobile applications and brands and our expansion have placed, and will continue to place, a significant strain on our managerial, operational, product development, sales and marketing, administrative, financial and other resources.

We expect to continue to increase headcount and to hire more specialized personnel in the future. We will need to continue to hire, train and manage additional qualified website and mobile application developers, software engineers, sales staff, and product development specialists in order to improve and maintain our product offerings and technology to drive and properly manage our growth. If our new hires perform poorly, if we are unsuccessful in hiring, training, managing and integrating these new employees or if we are not successful in retaining our existing employees, our business may be harmed.

Further, to accommodate our expected expansion we must add new hardware and software and improve and maintain our technology, systems and network infrastructure. Failure to effectively upgrade our technology or network infrastructure to support our expected increases in mobile traffic volume and mobile application usage could result in unanticipated system disruptions, slow response times or poor experiences for consumers. To manage the expected expansion of our operations and personnel and to support financial reporting requirements as a public company, we continue to improve our transaction processing and reporting, operational and financial systems, procedures and controls. These improvements will be particularly challenging if we acquire new operations with different back-end systems. Our current and planned personnel, systems, procedures and controls may not be adequate to support our future operations. If we are unable to manage any growth and increased complexity successfully and hire additional qualified personnel in an efficient manner, our business, financial conditions and operating results could be adversely affected.

If online commerce does not continue to grow, or contracts, our business may suffer.

The business of selling goods and services over the Internet and via mobile applications, and the use of digital offers in those transactions, is dynamic and relatively new. Concerns about fraud, privacy and other challenges may discourage additional consumers from adopting the Internet and mobile applications as a medium of commerce. Acquiring new customers for our marketplace and increasing consumer traffic may become more difficult and costly than it has been in the past, particularly in markets where our marketplace has been available for some time. In order to increase consumer traffic to our websites and increase use of our mobile applications, we must appeal to consumers who historically have used traditional means of commerce to purchase goods and services and may prefer alternatives to our websites and mobile applications, such as the retailer's own website or mobile application. In addition, consumers may not be accustomed to using one of our mobile applications to access digital offers that can be used by the consumer while in a retail store or restaurant. If these consumers prove to be less active than consumers who are already providing traffic to our websites or using our mobile applications, or we are unable to gain efficiencies in our operating costs, including our cost of increasing consumer traffic to our websites or increasing the number of mobile application sessions, our business could be adversely impacted. Furthermore, to the extent that weak economic conditions cause consumer spending to decline or cause our customers and potential customers to freeze or reduce their marketing budgets, particularly in the online retail market, demand for our solutions may be negatively affected.

If we are not able to maintain a positive perception of the content available through our marketplace and maintain and enhance our RetailMeNot brand and the brands associated with each of our other websites and mobile applications, our reputation and business may suffer.

A decrease in the quality of the digital offers available through our marketplace could harm our reputation and damage our ability to attract and retain consumers and retailers, which could adversely affect our business. Additionally, maintaining and enhancing our RetailMeNot brand and the brands of each of our other websites and mobile applications is critical to our ability to attract new retailers and consumers to our marketplace, generate net revenues and successfully introduce new solutions. We may not be able to successfully build our RetailMeNot brand in the U.S. or the E.U. without losing some or all of the value associated with, or decreasing the effectiveness of, our other brands. We expect that the promotion of all our brands will require us to make substantial investments and as our market becomes more competitive, these branding initiatives may become increasingly difficult and expensive. The successful promotion of our brands will depend largely on our marketing and public relations efforts. If we do not successfully maintain and enhance our brands, we could lose consumer traffic, which could, in turn, cause retailers to terminate or reduce the extent of their relationship with us. Our brand promotion activities may not be successful or may not yield net revenues sufficient to offset this cost, which could adversely affect our reputation and business.

Our business model depends upon digital offer inventory that we do not own or otherwise generally control, and the failure to maintain sufficient inventory or quality of the digital offers available on our websites may adversely affect our perceived value by consumers and therefore retailers.

Our success depends on our ability to provide consumers with the digital offers they seek. A substantial majority of our revenues come from arrangements in which we are paid by retailers to promote their digital offers. Additionally, as much as one-third of the digital offers on our websites are submitted by users. Therefore, we do not own or control the inventory of content upon which our business depends. Because a large number of our digital offers are submitted by users, our efforts to ensure the quality and reliability of those digital offers are critical to our success. From time to time consumers submit complaints that our digital offers are invalid or expired. If our algorithms and automated processes for validating and sorting user-submitted digital offers are ineffective, or if our representatives responsible for manual review and curation of user-submitted digital offers are unable to effectively select and sort the digital offers that are reliable and most appealing to our users, we may be unable meet the needs of consumers and our operating results may be adversely affected.

Retailers have a variety of channels through which to promote their products and services. If these retailers elect to promote their offers and discounts through other channels, offer less compelling offers or discounts or not to promote offers or discounts at all, or if our competitors are willing to accept lower commissions than we are to promote these digital offers, our ability to obtain content may be impeded and our business, financial condition and operating results will be adversely affected. Similarly, if users do not contribute digital offers to our websites, or if they contribute digital offers that are not attractive or reliable, the digital offer inventory in our marketplace may decrease or become less valuable to consumers. If we cannot maintain sufficient digital offer inventory in our marketplace, consumers may perceive our marketplace as less relevant, consumer traffic to our websites and use of our mobile applications would decline and, as a result, our business, financial condition and operating results would be adversely affected.

If Texas or any other jurisdiction in which we are resident implements regulations that impose sales tax on certain e-commerce or m-commerce transactions, our net revenues could decline and our business, financial condition and operating results will be adversely affected.

In 2008, New York implemented regulations that require retailers to collect and remit sales taxes on sales made to residents of New York if the publisher that facilitated that sale is a New York resident. In 2011, California passed similar regulations, and several other states have enacted or proposed similar regulations, although some of the regulations proposed by these other states have not passed. In addition, New Jersey, a state in which we have operations, passed similar regulations on July 1, 2014. The requirement to collect and remit sales tax in New Jersey has not had a material impact on our results of operations to date. However, in the future, paid retailers in our marketplace that do not currently have sales tax nexus in New Jersey or in any other state that passes or has passed similar regulations and in which we have operations, employees or contractors in the future, may significantly alter the manner in which they pay us, cease paying us for sales we facilitate for that retailer in that state or cease using our marketplace, each of which could adversely impact our operating results. Further, if Texas were to pass similar regulations, we believe a substantial number of the paid retailers in our marketplace would cease paying us for sales we facilitate for that retailer in Texas, significantly alter the manner in which they pay us or cease using our marketplace. This would decrease our sales and our business, financial condition and operating results would be adversely affected.

Our failure or the failure of third-party service providers to protect our platform and network against security breaches, or otherwise protect our confidential information, could damage our reputation and brand and substantially harm our business and operating results.

We deliver digital offers via our websites, mobile applications, email newsletter and alerts and social media presence, and we collect and maintain data about consumers, including personally identifiable information, as well as other confidential or proprietary information. We also sell gift cards and provide cash-back rebates to users. Our security measures may not detect or prevent all attempts to hack our systems, denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by our platform or that we or our third-party service providers otherwise maintain. Breaches of our security measures or those of our third-party service providers could result in unauthorized access to our platform or other systems; unauthorized access to and misappropriation of consumer information, including consumers' personally identifiable information, or other confidential or proprietary information of ours or third parties; viruses, worms, spyware or other malware being served from our platform; deletion or modification of content, or the display of unauthorized content, on our websites or our mobile applications; or a denial of service or other interruption in our operations. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, our size and scale, our geographic footprint and international presence, our use of open source software and technologies, the outsourcing of some of our business

operations and continued threats of cyber-attacks. Although cybersecurity and the development and enhancement of controls, processes and practices designed to protect our and our third party providers' systems, computers, software, data and networks from attack, damage or unauthorized access are a priority for us, this may not successfully protect our respective systems against all vulnerabilities, including technologies developed to bypass our security measures. In addition, outside parties may attempt to fraudulently induce employees, users or retailers to disclose sensitive information in order to gain access to our or our third party providers' secure systems and networks.

Because techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers, we and they may be unable to anticipate these attacks or to implement adequate preventative measures. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. Any actual or perceived breach of our security could damage our reputation and brand, expose us to a risk of loss or litigation and possible liability, require us to expend significant capital, technical and other resources to alleviate problems caused by such breaches and deter consumers and retailers from using our marketplace, which would harm our business, financial condition and operating results.

Interruptions or delays in service from third-party data center hosting facilities and other third parties could impair the delivery of our solutions and harm our business.

We operate our business using third-party data center hosting facilities located in California, Oregon, Virginia, the U.K., France, Ireland and the Netherlands. All of our data gathering and analytics are conducted on, and the content we deliver is processed through, servers in these facilities. We also rely on bandwidth providers, Internet service providers and mobile networks to deliver content. Any damage to, or failure of, the systems of our third-party providers could result in interruptions to our service.

Despite precautions taken at our third-party data centers, these facilities may be vulnerable to damage or interruption from break-ins, computer viruses, denial-of-service attacks, acts of terrorism, vandalism or sabotage, power loss, telecommunications failures, fires, floods, earthquakes, hurricanes, tornadoes and similar events. The occurrence of any of these events, a decision to close the facilities without adequate notice or other unanticipated problems at these facilities could result in loss of data, lengthy interruptions in the availability of our services and harm to our reputation and brand. While we have disaster recovery arrangements in place, they have not been tested under actual disasters or similar events.

Additionally, our third-party data center facility agreements are of limited duration, and our third-party data center facilities have no obligation to renew their agreements with us on commercially reasonable terms, or at all. If for any reason we are unable to renew our agreements with these facilities on commercially reasonable terms or if our arrangement with one or more of our data centers is terminated, we could experience additional expense in arranging for new facilities and support, and we may experience delays in the provisioning of our solutions until an agreement with another data center facility can be arranged. This shift to alternate facilities could take more than 24 hours depending on the nature of the event, which could cause significant interruptions in the delivery of our solutions and adversely affect our business and reputation. In addition, the failure of these facilities to meet our capacity requirements could result in interruptions in the availability or functionality of our solutions or impede our ability to scale our operations.

Furthermore, we depend on continuous and uninterrupted access to the Internet through third-party bandwidth providers to operate our business. If we lose the services of one or more of our bandwidth providers for any reason or if their services are disrupted, we could experience disruption in our services or we could be required to retain the services of a replacement bandwidth provider, which could increase our operating costs and harm our business and reputation.

Any errors, defects, disruptions or other performance problems with our solutions could harm our reputation and may damage our retailers' businesses. Interruptions in our solutions could cause retailers to terminate their contracts with us, which would likely reduce our net revenues and harm our business, operating results and financial condition.

An increase in the return rate of paid retailers' products or a change in the categories of products retailers choose to promote using digital offers could reduce our net revenues.

The commission revenues we receive from paid retailers are in part a function of the amount consumers purchase from paid retailers net of product returns. We do not have control over the categories or quality of products or services that our retailers deliver, nor do we have control over the digital offers they provide us. As a result, we rely on our historical experience for our estimate of returns. If paid retailers' actual levels of returns are greater than the level of returns we estimate or if paid retailers elect to use digital offer content to promote products and services with a higher return rate than what we have

experienced historically, our net revenues could decline. Because some categories of products tend to experience higher return rates than others, a shift in the types of goods consumers purchase using our solutions could lead to an increase in returns and our net revenues could decline. Additionally, return rates in foreign countries in which we operate are currently higher than return rates in the U.S. If we continue to expand our operations in countries with high return rates, our operating results may be negatively affected.

If our management team or other key employees do not remain with us in the future, our business, operating results and financial condition could be adversely affected.

We have been successful in attracting a knowledgeable and talented management team and key operating personnel. Our future success depends in large part on our ability to attract and retain these employees. Our senior management team's in-depth knowledge of and deep relationships with the participants in our industry are extremely valuable to us and there can be no assurance that our senior management team will remain with us in the future, or that we will successfully recruit and retain qualified replacements for those who have departed or depart in the future.

Our business also requires skilled engineering, marketing, product and sales personnel, who are in high demand and are often subject to competing offers. Competition for qualified employees is intense in our industry, and the loss of even a few qualified employees could harm our operating results and impair our ability to grow. The reduction in U.S. headcount effected in August 2015 could not only make it difficult to retain other remaining employees, but also could make it difficult to attract additional personnel.

To attract and retain key personnel, we use various measures, including an equity incentive program, an employee stock purchase program and non-equity incentive bonuses. These measures may not be enough to attract and retain the personnel we require to operate our business effectively. For example, we have a number of employees who were granted stock options that have an exercise price per share that is higher than the current fair market value. Those employees may feel they are not sufficiently incentivized to remain at our company. Conversely, we also have a number of employees who were granted stock options that have an exercise price per share that is lower than the current fair market value. If we are successful, these employees may choose to exercise their options and sell the shares, recognizing a substantial gain. As a result, it may be difficult for us to retain such employees. It may also be difficult to retain employees due to the volatility in our stock.

The reduction in U.S. headcount effected in August 2015 resulted in the loss of certain expertise and the reallocation of certain employment responsibilities, all of which could adversely affect operational efficiencies, employee performance and retention. To the extent that we are unable to effectively reallocate employee responsibilities and retain key employees, our strategic goals and our financial results may be adversely affected.

Regulatory, legislative or self-regulatory developments regarding Internet privacy matters could adversely affect our ability to conduct our business.

Consumer and industry groups have expressed concerns about online data collection and use by companies, which has resulted in the release of various industry self-regulatory codes of conduct and best practice guidelines that are binding for member companies and that govern, among other things, the ways in which companies can collect, use and disclose user information, how companies must give notice of these practices and what choices companies must provide to consumers regarding these practices. We are obligated in certain cases to comply with best practices or codes of conduct addressing matters, such as the online tracking of users or devices.

U.S. regulatory agencies have also placed an increased focus on online privacy matters and, in particular, on online advertising activities that utilize cookies, which are small files of non-personalized information placed on an Internet user's computer, and other online tracking methods. Such regulatory agencies have released, or are expected to release, reports pertaining to these matters. For example, on March 26, 2012, the Federal Trade Commission, or FTC, issued a report on consumer privacy intended to articulate best practices for companies collecting and using consumer data. The report recommends companies adopt several practices that could have an impact on our business, including giving consumers notice and offering them choices about being tracked across other parties' websites and implementing a persistent "Do Not Track" mechanism to enable consumers to choose whether to allow tracking of their online search and browsing activities, including on mobile devices. Various industry participants have worked to develop and finalize standards relating to a Do Not Track mechanism, and such standards may be implemented and adopted by industry participants at any time. We may be required or otherwise choose to adopt Do Not Track mechanisms, in which case our ability to use our existing tracking technologies and permit their use by performance marketing networks and other third parties could be impaired. This could cause our net revenues to decline and adversely affect our operating results.

U.S. and foreign governments have enacted, considered or are considering legislation or regulations that could significantly restrict industry participants' ability to collect, augment, analyze, use and share anonymous data, such as by regulating the level of consumer notice and consent required before a company can employ cookies or other electronic tracking tools. A number of bills have been proposed in the U.S. Congress in the past that contained provisions that would have regulated how companies can use cookies and other tracking technologies to collect and use information about consumers. Some of those bills also contained provisions that would have specifically regulated the collection and use of information, particularly geolocation information, from mobile devices.

Additionally, the EU has traditionally imposed more strict obligations under data privacy laws and regulations. Individual EU member countries have had discretion with respect to their interpretation and implementation of EU data privacy laws, resulting in variation of privacy standards from country to country. Legislation and regulation in the EU and some EU member states requires companies to obtain specific types of notice and consent from consumers before using cookies or other tracking technologies. To comply with these requirements, the use of cookies or other similar technologies may require the user's affirmative, opt-in consent. In October 2015, the European Court of Justice, or ECJ, ruled that the "safe harbor" framework for the transfer of certain personal information from the EU to the U.S. was invalid. On 2 February 2016, the European Commission announced that it had reached "political agreement" with its U.S. counterparts on a regime to replace the safe harbor framework named the "Privacy Shield". The detail of the Privacy Shield is still to be finalized. In the meantime, the transfer of personal information from the EU to the U.S. may take place under the Model Clauses approved by the European Commission. Following the ECJ's safe harbor decision, we have put in place the Model Clauses. There is a risk that the Model Clauses or Privacy Shield may impose additional obligations in respect of the transfer of personal information from the EU to the U.S. that could force us to change our business practices or incur additional costs. Additionally, in January 2012, the European Commission announced significant proposed reforms to its existing data protection legal framework that may result in a greater compliance burden with respect to our operations in Europe. On December 15, 2015, the European Parliament and the Council reached agreement on the EU data protection reform package, concluding trilogue negotiations between the Commission, Parliament and Council. This paves the way for the package to be formally adopted in early 2016 and to enter in force in early 2018. The final text of the package has not yet been published, so its effect on our business is not known. In addition, the ECJ has found that there is a "right to be forgotten," which means that the user has a right to request his or her personal information be deleted. In deciding this case, the ECJ purported to extend jurisdictional reach over foreign Internet activities. As a result of this decision, significant new restraints may be imposed on the retention of personal data throughout the EU, which could impact the operation and growth of our business in EU.

Other changes in global privacy laws and regulations and self-regulatory regimes may also force us to incur substantial costs or require us to change our business practices. This could compromise our ability to pursue our growth strategies effectively and may adversely affect the demand for our solutions or otherwise harm our business and financial condition. For instance, new privacy laws or regulations or changed interpretations of existing laws or regulations could require performance marketing networks or us to take additional measures to facilitate consumer privacy preferences or to limit or cease altogether the collection, use or disclosure of data. For example, one potential restriction on the use of cookies would allow a website that a consumer has elected to visit to continue to place cookies on the user's browser without explicit consent, but would require the user's explicit consent for a third party to place its cookies on the user's browser. A 2010 FTC staff report also recommends that websites offer consumers a choice about whether the owner of the website can use third parties to track the consumer's activity for certain purposes. We are dependent on third parties, including performance marketing networks, to place cookies on browsers of users that visit our websites. If in the future we are restricted from allowing cookies, if there is a material increase in the number of users who choose to opt out or block cookies and other tracking technologies, or if performance marketing networks' cookies or other tracking mechanisms otherwise do not function properly, our ability to generate net revenues would be significantly impaired.

Finally, we may be subject to foreign laws regulating online advertising even in jurisdictions where we do not have any physical presence to the extent a digital media content provider has advertising inventory that we manage or to the extent that we collect and use data from consumers in those jurisdictions. Such laws may vary widely around the world, making it more costly for us to comply with them. Failure to comply may harm our business and our operating results could be adversely affected.

Changes in consumer sentiment or laws, rules or regulations regarding the use of cookies and other tracking technologies, advertising blocking software and other privacy matters could have a material adverse effect on our ability to generate net revenues and could adversely affect our ability to collect proprietary data on consumer shopping behavior.

Consumers may become increasingly resistant to the collection, use and sharing of information online, including information used to deliver advertising and to attribute credit to publishers such as us in performance marketing programs, and take steps to prevent such collection, use and sharing of information. For example, consumer complaints and/or lawsuits

regarding online advertising or the use of cookies or other tracking technologies in general and our practices specifically could adversely impact our business.

Consumers can currently opt out of the placement or use of most cookies for online advertising purposes by either deleting or disabling cookies on their browsers, visiting websites that allow consumers to place an opt-out cookie on their browsers, which instructs participating entities not to use certain data about consumers' online activity for the delivery of targeted advertising, or by downloading browser plug-ins and other tools that can be set to: identify cookies and other tracking technologies used on websites; prevent websites from placing third-party cookies and other tracking technologies on the user's browser; or block the delivery of online advertisements on websites and applications.

Various software tools and applications have been developed that can block advertisements from a user's screen or allow users to shift the location in which advertising appears on webpages or opt out of display, search and internet-based advertising entirely. In particular, Apple recently updated its mobile operating system to permit these technologies to work in its mobile Safari browser. In addition, changes in device and software features could make it easier for Internet users to prevent the placement of cookies or to block other tracking technologies. In particular, the default settings of consumer devices and software may be set to prevent the placement of cookies unless the user actively elects to allow them. For example, Apple's Safari browser currently has a default setting under which third-party cookies are not accepted, and users must activate a browser setting to enable cookies to be set. Additionally, Mozilla Corporation announced on February 25, 2013, that its Firefox browser also will not accept third-party cookies by default. On February 22, 2012, the Digital Advertising Alliance announced that its members will work to add browser-based header signals to the set of tools by which consumers can express their preferences not to be tracked online. As discussed above, a 2010 FTC report on consumer privacy calls for the development and implementation of a persistent Do Not Track mechanism that enable consumers to choose whether to allow the tracking of their online search and browsing activities. Various industry participants have worked to develop and finalize standards relating to a Do Not Track mechanism, and such standards may be implemented and adopted by industry participants at any time.

We are dependent on performance marketing networks or in some instances, retailers, to place cookies on browsers of users that visit our websites or to use other tracking mechanisms to allow retailer sales through our marketplace to be attributed to us, and if we are restricted from allowing these or if they do not function in a manner that allows retailer sales through our marketplace to be attributed to us, our ability to generate net revenues would be significantly impaired. In particular, if consumer sentiment regarding privacy issues or the development and deployment of new browser solutions or other Do Not Track mechanisms results in a material increase in the number of users who choose to opt out or block cookies and other tracking technologies or who are otherwise using browsers where they need to, and fail to, configure the browser to accept cookies, or otherwise results in cookies or other tracking technologies not functioning properly, our ability to conduct our business, operating results and financial condition would be adversely affected.

In addition to this change in consumer preferences, if retailers or brands perceive significant negative consumer reaction to targeted online advertising or the tracking of consumers' online activities, they may determine that such advertising or tracking has the potential to negatively impact their brand. In that case, advertisers may limit or stop the use of our solutions, and our operating results and financial condition would be adversely affected.

Our business practices with respect to privacy, data and consumer protection could give rise to liabilities or reputational harm as a result of governmental regulation, legal obligations or industry standards relating to privacy, data and consumer protection.

Federal, state and international laws and regulations govern the collection, use, retention, sharing and security of data that we collect. In addition, certain laws impose restrictions on communications with persons by email, SMS text messages and other means of delivery. We are also subject to legal obligations concerning privacy, data and consumer protection such as the terms of our privacy policies and our privacy and data-related agreements with third parties. Our contracts with the retailers and performance marketing networks with which we exchange data, for example, govern our respective rights to use such data. We strive to comply with all applicable laws, regulations, self-regulatory requirements and legal obligations relating to privacy, data and consumer protection, including those relating to the use of data for marketing purposes. It is possible, however, that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. For example, several Internet companies have incurred penalties for failing to abide by the representations made in their privacy policies and practices. We cannot assure you that our practices have complied, comply, or will comply fully with all such laws, regulations, requirements and obligations. Any failure, or perceived failure, by us to comply with federal, state or international laws or regulations, including laws and regulations regulating privacy, data, marketing communications or consumer protection, our own privacy policies and practices, or other policies, self-regulatory requirements or legal obligations could result in harm to our reputation, a loss in business, and proceedings or actions against

us by governmental entities, consumers, retailers or others. Additionally, if third parties we work with violate applicable laws, our policies or other privacy-related obligations, such violations may also put our users' information at risk and could in turn have an adverse effect on our business. If, for example, third parties cease to provide us with consumer data that assists in our targeted advertising to consumers, due to governmental regulation or other reasons, our business could be negatively impacted.

Government regulation of the Internet, e-commerce and mobile commerce is evolving, and unfavorable changes or failure by us to comply with these laws and regulations could substantially harm our business and results of operations.

We are subject to general business regulations and laws as well as regulations and laws specifically governing the Internet, e-commerce and mobile commerce, or m-commerce, in a number of jurisdictions around the world. Existing and future regulations and laws could impede the growth of the Internet, e-commerce, m-commerce or other online services. These regulations and laws may involve taxation, tariffs, privacy and data security, anti-spam, data protection, content, copyrights, distribution, electronic contracts, electronic communications, money laundering, electronic payments and consumer protection. It is not clear how existing laws and regulations governing issues such as property ownership, sales and other taxes, libel and personal privacy apply to the Internet as the vast majority of these laws and regulations were adopted prior to the advent of the Internet and do not contemplate or address the unique issues raised by the Internet, e-commerce or m-commerce. It is possible that general business regulations and laws, or those specifically governing the Internet, e-commerce or m-commerce may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. We cannot assure you that our practices have complied, comply or will in the future comply fully with all such laws and regulations. Any failure, or perceived failure, by us to comply with any of these laws or regulations could result in damage to our reputation, a loss in business, and proceedings or actions against us by governmental entities or others. Any such proceeding or action could hurt our reputation, force us to spend significant resources in defense of these proceedings, distract our management, increase our costs of doing business, and cause consumers and retailers to decrease their use of our marketplace, and may result in the imposition of monetary liability. We may also be contractually liable to indemnify and hold harmless third parties from the costs or consequences of noncompliance with any such laws or regulations. In addition, it is possible that governments of one or more countries may seek to censor content available on our websites and mobile applications or may even attempt to completely block access to our marketplace. Adverse legal or regulatory developments could substantially harm our business. In particular, in the event that we are restricted, in whole or in part, from operating in one or more countries, our ability to retain or increase our customer base may be adversely affected and we may not be able to maintain or grow our net revenues as anticipated.

As we develop and provide solutions, we may be subject to additional and unexpected regulations, or increased risk of fraud, which could increase our costs or otherwise harm our business.

As we develop and provide solutions that address new market segments, we may become subject to additional laws and regulations, which could create unexpected liabilities for us, cause us to incur additional costs or restrict our operations.

We have begun to introduce new product offerings, which may be subject to regulation by federal, state and local authorities and by authorities in foreign countries. For example, unlike our other solutions, in order to facilitate product offerings such as the sale of gift cards, we, or one or more third party payment processors acting on our behalf, may acquire, store and process consumer credit card data or other personally identifiable information. The processing of such information requires compliance with the Payment Card Industry Data Security Standard, or PCI DSS, which compliance certification we previously obtained. Under the PCI DSS, we are required to maintain internal controls over the use, storage and security of credit card data and other personally identifiable information to help prevent credit card fraud. Failure to comply with this standard or other loss of our PCI DSS compliance could result in breaches of contractual obligations with our payment processors, may subject us to fines, penalties, damages and civil liability and could eventually prevent us from processing or accepting credit cards.

Transactions involving digital rebates, the sale of gift cards, and/or the purchase of gift cards (which we expect to offer in the future), may require us to comply with numerous state, federal and international laws and regulations. We have limited experience operating our business in accordance with these specific laws and regulations. In addition, purchases and sales of gift cards, and particularly the purchase and sale of gift cards acquired from consumers rather than directly or indirectly from the issuing retailer, increase our exposure to various types of fraud committed by third parties or by our own employees. Our failure to accurately anticipate the application of laws and regulations related to digital rebates or gift cards, or other failure to comply, and our failure to anticipate, prevent or discover fraud related to digital rebates or gift cards, could create liability for us, result in adverse publicity or cause us to alter our business practices, any of which could cause our net revenues to decrease, our costs to increase, or our business otherwise to be harmed.

From time to time, we may be notified of or otherwise become aware of additional laws and regulations that governmental organizations or others may claim should be applicable to our business. Our failure to anticipate the application of these laws and regulations accurately, or other failure to comply, could create liability for us, result in adverse publicity or cause us to alter our business practices, which could cause our net revenues to decrease, our costs to increase or our business otherwise to be harmed.

We may face liability for, and may be subject to claims related to, inaccurate or outdated content provided to us, or content provided to us without permission, which could require us to pay significant damages, may be extremely costly to defend even if decided in our favor and could limit our ability to operate.

The information on our websites and mobile applications that is provided by performance marketing networks and retailers and collected from third parties relates to digital offers from retailers. We are exposed to the risk that some of this content may contain inaccurate or outdated information about retailer products or services or the discounts thereon, or digital offers that are not made available or intended to be made available to all consumers. This could cause consumers and retailers to lose confidence in the information provided on our platform or become dissatisfied with our platform and result in lawsuits being filed against us.

In addition, we currently face and may in the future be exposed to potential liability relating to information that is published or made available through our marketplace, including information generated by us, user-generated content and proprietary information of third parties. This content may expose us to claims related to trademark and copyright infringement and other intellectual property rights, rights of privacy, defamation, fraud, negligence, breach of contract, tortious interference, unfairness, deceptiveness, false or misleading advertising, personal injury torts, noncompliance with state or federal laws relating to digital offers or other theories based on the nature and content of the information. The laws relating to the liability of service providers for activities of their users is currently unsettled both within the U.S. and internationally, although risks related to these types of lawsuits may be enhanced in certain jurisdictions outside the U.S. where our protection from liability for third-party actions is more unclear and where we may be less protected under local laws than we are in the U.S.

Such claims or lawsuits currently and could in the future divert the time and attention of management and technical personnel away from our business and result in significant costs to investigate and defend, regardless of the merits of the claims. Such potential claims and lawsuits could also result in significant damages if we are found liable. The scope and amount of our insurance may not adequately protect us against these types of damages. Additionally, as a result of such claims, we have elected and may in the future elect or be compelled to remove valuable content from our websites or mobile applications, which could decrease the usefulness of our platform for consumers and result in less traffic to our websites and less usage of our mobile applications. If any of these events occur, our business and financial results could be adversely affected.

Our business could suffer if the jurisdictions in which we operate change the way in which they regulate user-generated content.

Our business, including our ability to operate and expand internationally, could be adversely affected if legislation or regulations are adopted, interpreted or implemented in a manner that is inconsistent with our current business practices related to user-generated content and that requires changes to these practices or the design of our platform or solutions. For example, laws relating to the liability of providers of online services for activities of their users and other third parties are currently being tested by a number of claims against third parties, including actions based on invasion of privacy and other torts, unfair competition, copyright and trademark infringement and other theories based on the nature and content of the materials searched, the ads posted or the content provided by users. If immunities currently afforded to websites that publish user-generated content are limited, we may be compelled to remove content from our platform that we would otherwise publish or restrict the types of businesses that we can promote digital offer content for, among other changes. Such changes in law could increase our operating costs and make it more difficult for consumers to use our platform, resulting in less consumer traffic and net revenues, and our business and operating results could suffer.

The growth of e-commerce and m-commerce in the U.S. could suffer if the federal government implements new regulations that obligate retailers, or permit states to obligate retailers, to collect sales taxes from consumers on certain e-commerce or m-commerce transactions, which would adversely affect our growth.

Legislation introduced in the U.S. Senate as S. 698 in March 2015 would grant states the authority to require out-of-state retailers to collect and remit sales taxes. The adoption of remote sales tax collection legislation would result in the imposition of sales taxes and additional costs associated with complex sales tax collection, remittance and audit compliance requirements on many of our retailers, which would make selling online or through mobile applications less attractive for these retailers.

Additionally, the introduction of new or increased taxes applicable to online transactions could make online purchases less attractive to consumers relative to in-store retail purchases. These changes could substantially impair the growth of e-commerce and m-commerce in the U.S., and could diminish our opportunity to derive financial benefit from our activities in the U.S.

We may be sued by third parties for infringement or other violation of their intellectual property or proprietary rights.

Internet, advertising and e-commerce companies frequently are subject to litigation based on allegations of infringement, misappropriation, dilution or other violations of intellectual property rights. Some Internet, advertising, e-commerce companies and m-commerce companies, including some of our competitors, own large numbers of patents, copyrights, trademarks and trade secrets, which they may use to assert claims against us.

Third parties have asserted, and may in the future assert, that we have infringed, misappropriated or otherwise violated their intellectual property rights.

For instance, the use of our technology to provide our solutions could be challenged by claims that such use infringes, dilutes, misappropriates or otherwise violates the intellectual property rights of a third party. In addition, we currently face and may in the future be exposed to claims that content published or made available through our websites or mobile applications violates third-party intellectual property rights. For example, retailers and other third parties frequently have complained that their trademarks, copyrights or other intellectual property are being used on our websites or mobile applications without their permission and in violation of their rights or in violation of laws or regulations.

As we face increasing competition and as a public company, the possibility of intellectual property rights claims against us grows. Such claims and litigation may involve patent holding companies or other adverse intellectual property rights holders who have no relevant product revenue, and therefore our own pending patents and other intellectual property rights may provide little or no deterrence to these rights holders in bringing intellectual property rights claims against us. There may be intellectual property rights held by others, including issued or pending patents and trademarks, that cover significant aspects of our technologies, content, branding or business methods, and we cannot assure that we are not infringing or violating, and have not violated or infringed, any third-party intellectual property rights or that we will not be held to have done so or be accused of doing so in the future.

Any claim that we have violated intellectual property or other proprietary rights of third parties, with or without merit, and whether or not it results in litigation, is settled out of court or is determined in our favor, could be time-consuming and costly to address and resolve, and could divert the time and attention of management and technical personnel from our business. Furthermore, an adverse outcome of a dispute may result in an injunction and could require us to pay substantial monetary damages, including treble damages and attorneys' fees, if we are found to have willfully infringed a party's intellectual property rights. Any settlement or adverse judgment resulting from such a claim could require us to enter into a licensing agreement to continue using the technology, content or other intellectual property that is the subject of the claim; restrict or prohibit our use of such technology, content or other intellectual property; require us to expend significant resources to redesign our technology or solutions; and require us to indemnify third parties. Royalty or licensing agreements, if required or desirable, may be unavailable on terms acceptable to us, or at all, and may require significant royalty payments and other expenditures. There also can be no assurance that we would be able to develop or license suitable alternative technology, content or other intellectual property to permit us to continue offering the affected technology, content or services to our customers. Any of these events could harm our business, operating results and financial condition.

Failure to protect or enforce our intellectual property rights could harm our business and results of operations.

We pursue the registration of our patentable technology, domain names, trademarks and service marks in the U.S. and in certain jurisdictions abroad. We also strive to protect our intellectual property rights by relying on federal, state and common law rights, as well as contractual restrictions. We typically enter into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with parties with whom we conduct business in order to limit access to, and disclosure and use of, our proprietary information. However, we may not be successful in executing these agreements with every party who has access to our confidential information or contributes to the development of our technology or intellectual property rights. Those agreements that we do execute may be breached, and we may not have adequate remedies for any such breach. These contractual arrangements and the other steps we have taken to protect our intellectual property rights may not prevent the misappropriation or disclosure of our proprietary information nor deter independent development of similar technology or intellectual property by others.

Effective trade secret, patent, copyright, trademark and domain name protection is expensive to obtain, develop and maintain, both in terms of initial and ongoing registration or prosecution requirements and expenses and the costs of defending

our rights. We are seeking to protect our patentable technology, trademarks and domain names in an increasing number of jurisdictions, a process that is expensive and may not be successful or which we may not pursue in every location. We may, over time, increase our investment in protecting our intellectual property through additional patent filings that could be expensive and time-consuming. We have three patents issued and 72 pending patent applications, including six provisional applications. We do not know whether any of our pending patent applications will result in the issuance of additional patents or whether the examination process will require us to narrow our claims or we may otherwise be unable to obtain patent protection for the technology covered in our pending patent applications. Our patents, trademarks and other intellectual property rights may be challenged by others or invalidated through administrative process or litigation. Moreover, any issued patents may not provide us with a competitive advantage and, as with any technology, competitors may be able to develop similar or superior technologies to our own, now or in the future.

Additionally, in the U.S., several significant developments in the intellectual property industry, including the continued effect of the Leahy-Smith America Invents Act of 2011 (including several new means by which challenges of patents may be effected) and the Supreme Court holding in the Alice Corp. v. CLS Bank International case, which called into question the patentability of computer software, may negatively impact our ability to obtain patents or enforce patent rights. For example, the claims of our patent applications may fail to issue, or if they do issue, may subsequently be challenged or invalidated, based on these developments.

Monitoring unauthorized use of the content on our websites and mobile applications, and our other intellectual property and technology, is difficult and costly. Our efforts to protect our proprietary rights and intellectual property may not have been and may not be adequate to prevent their misappropriation or misuse. Third parties from time to time copy content or other intellectual property or technology from our solutions without authorization and seek to use it for their own benefit. We generally seek to address such unauthorized copying or use, but we have not always been successful in stopping all unauthorized use of our content or other intellectual property or technology, and may not be successful in doing so in the future. Further, we may not have been and may not be able to detect unauthorized use of our technology or intellectual property, or to take appropriate steps to enforce our intellectual property rights. Our competitors may also independently develop similar technology. Effective patent, trademark, copyright and trade secret protection may not be available to us in every country in which our solutions or technology are hosted or available. The laws of some foreign countries may not be as protective of intellectual property rights as those in the U.S., and mechanisms for enforcement of intellectual property rights may be inadequate. Further, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. The laws in the U.S. and elsewhere change rapidly, and any future changes could adversely affect us and our intellectual property. Our failure to meaningfully protect our intellectual property rights could result in competitors offering solutions that incorporate our most technologically advanced features, which could reduce demand for our solutions.

We may find it necessary or appropriate to initiate claims or litigation to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of intellectual property rights claimed by others. Litigation is inherently uncertain and any litigation of this nature, regardless of outcome or merit, could result in substantial costs and diversion of management and technical resources, any of which could adversely affect our business and operating results. If we fail to maintain, protect and enhance our intellectual property, our business and operating results may be harmed.

We may be unable to continue the use of our domain names, or prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of our brands, trademarks or service marks.

We have registered domain names for our websites that we use in our business. If we lose the ability to use a domain name, whether due to trademark claims, failure to renew the applicable registration, or any other cause, we may be forced to market our solutions under a new domain name, which could cause us substantial harm, or to incur significant expense in order to purchase rights to the domain name in question. In addition, our competitors and others could attempt to capitalize on our brand recognition by using domain names similar to ours. Domain names similar to ours have been registered in the U.S. and elsewhere. We may be unable to prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of our brands, trademarks or service marks. Protecting and enforcing our rights in our domain names may require litigation, which could result in substantial costs and diversion of management's attention.

ICANN (the Internet Corporation for Assigned Names and Numbers), the international authority over top-level domain names, has been increasing the number of generic top-level domains, or "TLDs." This may allow companies or individuals to create new web addresses that appear to the right of the "dot" in a web address, beyond such long-standing TLDs as ".com," ".org" and ".gov." ICANN may also add additional TLDs in the future. As a result, we may be unable to maintain exclusive rights to all potentially relevant or desirable domain names in the United States or in other countries in which we operate, which may harm our business. Furthermore, attempts may be made by third parties to register our trademarks as new TLDs or

as domain names within new TLDs, and we may be required to enforce our rights against such registration attempts, which could result in significant expense and the diversion of management's attention.

The consumer traffic to our websites and mobile applications may decline and our business may suffer if other companies copy information from our platform and publish or aggregate it with other information for their own benefit.

From time to time, other companies copy information or content from our platform, through website scraping, robots or other means, and publish or aggregate it with other information for their own benefit. When third parties copy, publish or aggregate content from our platform, it makes them more competitive, and decreases the likelihood that consumers will visit our websites or use our mobile applications to search and discover the information they seek, which could negatively affect our business, results of operations and financial condition. We may not be able to detect such third-party conduct in a timely manner or at all and, even if we are able to identify these situations, we may not be able to prevent them and have not always been able to prevent them in the past. In some cases, particularly in the case of websites operating outside of the U.S., our available remedies may be inadequate to protect us against such practices. In addition, we may be required to expend significant financial or other resources to successfully enforce our rights.

Indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement, violation of law and other losses.

Our agreements with retailers, performance marketing networks and other third parties may include indemnification provisions under which we agree to indemnify them for losses suffered or incurred as a result of claims of intellectual property infringement, sales taxes due as a result of our activities within a state or other liabilities relating to or arising from our products, services or other contractual obligations, including noncompliance with any laws, regulations, self-regulatory requirements or other legal obligations relating to privacy, data protection and consumer protection or any inadvertent or unauthorized use or disclosure of data that we store or handle as part of operating our business. Any such proceeding or action, and any related indemnification obligation, could hurt our reputation, force us to incur significant expenses in defense of these proceedings, distract our management, increase our costs of doing business and cause consumers and retailers to decrease their use of our marketplace, and may result in substantial monetary liability. The term of these indemnity provisions generally survives termination or expiration of the applicable agreement.

We rely on information technology to operate our business and maintain competitiveness, and any failure to adapt to technological developments or industry trends could harm our business.

We depend on the use of information technologies and systems. As our operations grow, we must continuously improve and upgrade our systems and infrastructure while maintaining or improving the reliability and integrity of our infrastructure. Our future success also depends on our ability to adapt our systems and infrastructure to meet rapidly evolving consumer trends and demands while continuing to improve the performance, features and reliability of our solutions in response to competitive services and product offerings. The emergence of alternative platforms such as smartphones and tablets and the emergence of niche competitors who may be able to optimize products, services or strategies for such platforms will require new investment in technology. New developments in other areas, such as cloud computing, could also make it easier for competition to enter our markets due to lower up-front technology costs. In addition, we may not be able to maintain our existing systems or replace or introduce new technologies and systems as quickly as we would like or in a cost-effective manner.

Some of our solutions contain open source software, which may pose particular risks to our proprietary software and solutions.

We use open source software in our solutions and will use open source software in the future. Some licenses governing our use of open source software contain requirements that we make available source code for modifications or derivative works we create based upon the open source software, and that we license such modifications or derivative works under the terms of a particular open source license or other license granting third parties certain rights of further use. By the terms of certain open source licenses, we could be required to release the source code of our proprietary software, and to make our proprietary software available under open source licenses, if we combine our proprietary software with open source software in certain manners. Although we monitor our use of open source software, we cannot assure you that all open source software is reviewed prior to use in our solutions, that our developers have not incorporated open source software into our solutions, or that they will not do so in the future. Additionally, the terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts. There is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market or provide our solutions. In addition, the terms of open source software licenses may require us to provide software that we develop using such open source software to others on unfavorable license terms. As a result of our current or future use of open source software, we may face claims or litigation, be required to

release our proprietary source code, pay damages for breach of contract, re-engineer our solutions, discontinue making our solutions available in the event re-engineering cannot be accomplished on a timely basis or take other remedial action. Any such re-engineering or other remedial efforts could require significant additional research and development resources, and we may not be able to successfully complete any such re-engineering or other remedial efforts. Further, in addition to risks related to license requirements, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a negative effect on our business, financial condition and operating results.

We are subject to international business uncertainties that could adversely affect our operations and operating results.

Our net revenues from operations outside the U.S. comprised 21.4% of our net revenues in 2015. As of February 1, 2016, we operate websites marketing to residents of the U.K., France, Spain, the Netherlands, Germany and Canada. We currently have operations in the U.K., France and the Netherlands. We intend to maintain or expand our existing operations in or to these countries and may establish a presence in additional countries to grow our international sales. Operating in foreign countries requires significant resources and management attention, and we have limited experience entering new geographic markets. In addition, the varying commercial and Internet infrastructure in other countries may make it difficult for us to replicate our business model. In many countries, we compete with local companies that have more experience in their respective markets than we do, and we may not benefit from first-to-market advantages. To achieve widespread acceptance in new countries and markets, we must continue to tailor our solutions and business model to the unique circumstances of such countries and markets, which can be difficult and costly. Failure to adapt practices and models effectively to each country into which we expand could slow our international growth. We cannot assure you that our international efforts will be successful. International sales and operations may be subject to risks such as:

- competition with local or foreign companies operating in or entering the same markets;
- the suitability, compatibility and successful implementation of the shared information technology infrastructure that we are developing to power our marketplace in certain of our international markets;
- the cost and resources required to localize our solutions, while maintaining retailer and consumer satisfaction such that our marketplace will continue to attract high quality retailers;
- difficulties in staffing and managing foreign operations due to distance, time zones, language and cultural differences;
- higher product return rates;
- burdens of complying with a wide variety of laws and regulations, including regulation of digital offer terms, Internet services, privacy and data protection, bulk emailing and anti-competition regulations, which may limit or prevent us from offering of our solutions in some jurisdictions or limit our ability to enforce contractual obligations;
- exposure to markets where there is a concentration of retailers and those retailers individually or collectively exercise their market power to negotiate lower commissions or cease to monetize with us entirely;
- adverse tax effects and foreign exchange controls making it difficult to repatriate earnings and cash;
- political and economic instability;
- terrorist activities and natural disasters;
- differing employment practices and laws and labor disruptions;
- technology compatibility;
- credit risk and higher levels of payment fraud;
- increased financial accounting and reporting burdens and complexities and difficulties in implementing and maintaining adequate internal controls;
- slower adoption of the Internet as an advertising, broadcast and commerce medium in certain of those markets as compared to the U.S.;
- lower levels of consumer spending and fewer opportunities for growth compared to the U.S.;
- preference for local vendors; and
- different or lesser degrees of intellectual property protection.

In addition, the U.S. has in the past proposed, and is currently evaluating, changes to the corporate tax structure that would include taxation of offshore earnings of U.S. businesses. If this were to occur, our effective tax rates would likely increase. Further, we are subject to U.S. and foreign legislation, such as the Foreign Corrupt Practices Act and the U.K. Bribery Act. While we maintain high standards of ethical conduct, our policies, training and monitoring of compliance with applicable

anti-corruption laws are at an early stage of development. If any of our employees or agents were to violate these laws in the conduct of our business, we could be subject to substantial penalties and our reputation could be impaired.

These factors could have an adverse effect on our net revenues from advertisers located outside the U.S. and, consequently, on our business and operating results.

We may be unable to identify suitable candidates for strategic transactions, effectively integrate newly acquired businesses or technology, or achieve expected operating results from acquisitions or other strategic transactions.

Part of our growth strategy is to increase our net revenues and improve our operating results through the acquisition of, or entry into other strategic transactions such as joint ventures or partnerships with, similar or complementary businesses. There can be no assurance that suitable candidates for acquisitions or other strategic transactions will be identified or, if suitable candidates are identified, that strategic transactions can be completed on acceptable terms, if at all.

Since our inception, we have completed numerous acquisitions and other strategic transactions such as joint ventures or partnerships, and we may continue to enter into strategic transactions in the future. Our success will depend in part on our ability to identify, negotiate, and complete strategic transactions and integrate acquired businesses or technology and, if necessary, satisfactory debt or equity financing to fund those transactions. As is the case with our current debt facility, if we finance a strategic transaction with debt financing, we will incur interest expense and may have to comply with financing covenants or secure the debt obligations with our assets. Mergers and acquisitions and other strategic transactions are inherently risky, and any transactions we complete may not be successful. Any strategic transactions we undertake in the future would involve numerous risks, any of which could have a material adverse effect on our business and the market price of our common stock, including the following:

- use of cash resources and incurrence of debt and contingent liabilities in funding strategic transactions, which may limit our operational flexibility and other potential uses of our cash, including stock repurchases, dividend payments and retirement of outstanding indebtedness;
- expected and unexpected costs incurred in identifying and pursuing strategic transactions and performing due diligence regarding potential strategic transactions that may or may not be successful;
- failure of the acquired company to achieve anticipated consumer traffic, revenue, earnings, cash flows or other desired technological goals;
- our responsibility for the liabilities of the businesses we acquire, including the assumption of liabilities that were not disclosed to us or that exceed our estimates;
- difficulties in integrating and managing the combined operations, technologies and solutions;
- failure to identify all of the problems, liabilities or other shortcomings or challenges of a counterparty to a strategic transaction or an acquired company, including issues related to intellectual property, solution quality or architecture, regulatory compliance practices, revenue recognition or other accounting practices or employee or customer issues;
- diversion of management's attention or other resources from our existing business;
- inability to maintain the key business relationships and the reputations of the businesses we acquire;
- difficulties in assigning or transferring technology or intellectual property licensed by acquired companies from third parties to us or our subsidiaries;
- uncertainty of entry into markets in which we have limited or no prior experience or in which competitors have stronger market positions;
- our dependence on unfamiliar retailers or performance marketing networks of the companies we acquire;
- insufficient incremental revenue to offset our increased expenses associated with strategic transactions;
- our inability to maintain internal standards, controls, procedures and policies;
- challenges in integrating and auditing the financial statements of acquired companies that have not historically prepared financial statements in accordance with U.S. generally accepted accounting principles;
- impairment of goodwill or other intangible assets such as trademarks or other intellectual property arising from acquisitions;
- amortization of expenses related to acquired intangible assets and other adverse accounting consequences;
- potential loss of key employees from the companies we acquire, as has occurred after previous acquisitions;
- dilution of our stockholders' ownership interests if we finance all or a portion of the purchase price of any strategic transactions by issuing equity; and

- litigation or other claims from the counterparty to the strategic transaction, including claims from former stockholders, claims related to intellectual property infringement or other matters or various commercial or tort claims.

Further, we rely heavily on the representations and warranties provided to us by counterparties to strategic transactions, including the sellers of acquired companies and assets, including as they relate to creation of, ownership of and rights in intellectual property, existence of open source code, existence of encumbrances and operating restrictions and compliance with laws and contractual requirements. If any of these representations and warranties is inaccurate or breached, such inaccuracy or breach could result in costly litigation and assessment of liability for which there may not be adequate recourse against such sellers, in part due to contractual time limitations and limitations of liability.

We may need additional capital in the future, which may not be available to us on favorable terms, or at all, and may dilute your ownership of our Series 1 common stock.

As of January 1, 2016, we have an aggregate of 83,775,625 shares of Series 1 common stock authorized but unissued and not reserved for issuance under our stock option plans or otherwise. We may issue all of these shares without any action or approval by our stockholders, subject to certain limitations of the NASDAQ Global Select Market. We may require additional capital from equity or debt financing in the future in order to take advantage of strategic opportunities, or to support our existing business. We may not be able to secure timely additional financing on favorable terms, or at all. The terms of any additional financing may place limits on our financial and operating flexibility, including our ability to issue or repurchase equity, develop new or enhanced existing products, complete acquisitions or otherwise take advantage of business opportunities. If we raise additional funds or finance acquisitions through further issuances of equity, convertible debt securities or other securities convertible into equity, you and our other stockholders could suffer significant dilution in your percentage ownership of our company, and any new securities we issue could have rights, preferences and privileges senior to those of holders of our Series 1 common stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us, if and when we require it, our ability to grow or support our business and to respond to business challenges could be significantly limited.

Our current management team has a limited history of working together and may not be able to execute our business plan.

Certain members of our senior management team, including our Chief Financial Officer, General Counsel, Chief Marketing Officer for North America, Senior Vice President of Corporate Development, Senior Vice President of Product and Senior Vice President, Administration, have only recently joined our management team or assumed their roles. As such, our current management team has worked together for only a limited period of time and has a limited track record of executing our business plan as a team. Accordingly, it is difficult to predict whether our management team, individually and collectively, will be effective in operating our business.

If we are unable to retain our sales representatives, or attract replacement sales representatives, our ability to increase our net revenues could be negatively impacted.

Our ability to expand our business will depend, in part, on our ability to retain our current sales representatives and properly incentivize them to obtain new retailer, restaurant and brand relationships. If a significant number of our sales representatives were to leave us or join our competitors, our net revenues could be negatively impacted. In certain circumstances, we have entered into agreements with our sales representatives that contain non-compete provisions to mitigate this risk, but we may need to litigate to enforce our rights under these agreements, which could be time-consuming, expensive and ineffective. A significant increase in the turnover rate among our sales representatives could also increase our recruiting costs and decrease our operating efficiency, which could lead to a decline in our net revenues and profitability.

Competition for qualified sales representatives can be intense, and we may be unable to hire additional team members when we need them or at all. Any difficulties we experience in attracting additional sales representatives could have a negative impact on our ability to expand our retailer base, increase net revenues and continue our growth.

Our business relies in part on email and other messaging, and any technical, legal or other restrictions on the sending of emails or messages or an inability to timely deliver such communications could harm our business.

Our business is in part dependent upon email and other messaging. We provide emails and mobile alerts and other messages to consumers informing them of the offers on our websites and mobile applications, and these communications help generate a portion of our net revenues. Because of the importance of email and other messaging services to our business, if we are unable to successfully deliver emails or other messages to consumers, if there are legal restrictions on delivering these

messages to consumers, or if consumers do not open our emails or messages, our net revenues and profitability could be adversely affected. Changes in how webmail applications organize and prioritize email may result in our emails being delivered in a less prominent location in a consumer's inbox or viewed as "spam" by consumers and may reduce the likelihood of that consumer opening our emails. Actions by third parties to block, impose restrictions on or charge for the delivery of emails or other messages could also harm our business. From time to time, Internet service providers or other third parties may block bulk email transmissions or otherwise experience technical difficulties that result in our inability to successfully deliver emails or other messages to consumers. Changes in the laws or regulations that limit our ability to send such communications or impose additional requirements upon us in connection with sending such communications would also adversely impact our business. We also rely on social networking messaging services to send communications. Changes to the terms of these social networking services to limit promotional communications, any restrictions that would limit our ability or our customers' ability to send communications through their services, disruptions or downtime experienced by these social networking services or decline in the use of or engagement with social networking services by consumers could harm our business.

We rely on third-party services for the delivery of emails and other messages, and delays or errors in the delivery of such emails or other messaging we send have occurred and may in the future occur and be beyond our control, which could result in damage to our reputation or harm our revenues, business, financial condition and operating results. If we were unable to use our current email service or other messaging services, alternate services are available; however, we believe our results could be impacted for some period if we transition to a new provider. Any disruption or restriction on the distribution of our emails or other messages, termination or disruption of our relationship with our messaging service providers, including our third-party services that delivers our emails and other messages, or any increase in our costs associated with our email and other messaging activities could harm our business.

We may have exposure to greater than anticipated tax liabilities.

We are subject to taxes in the United States (federal and state) and numerous foreign jurisdictions. Significant judgment is required in evaluating our tax positions and determining our provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. For example, our effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates and higher than anticipated in countries where we have higher statutory rates, losses incurred in jurisdictions for which we are not able to realize the related tax benefit, by our inability to achieve the intended tax consequences of our recent corporate restructuring of our European operations, by changes in foreign currency exchange rates or by changes in the relevant tax, accounting and other laws, regulations, principles and interpretations. As we operate in numerous taxing jurisdictions, the application of tax laws can be subject to diverging and sometimes conflicting interpretations by tax authorities of these jurisdictions. It is not uncommon for taxing authorities in different countries to have conflicting views, for instance, with respect to, among other things, the manner in which the arm's length standard is applied for transfer pricing purposes, or with respect to the valuation of intellectual property. In addition, tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied.

We also are subject audits by both U.S. federal and state and foreign tax authorities. Any adverse outcome of such a review or audit could have a negative effect on our financial position and results of operations. In addition, the determination of our worldwide provision for income taxes and other tax liabilities requires significant judgment by management, and there are many transactions where the ultimate tax determination is uncertain. Although we believe that our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made.

The enactment of legislation implementing changes in the U.S. taxation of international business activities or the adoption of other tax reform policies, within the U.S. or internationally, could adversely impact our financial condition and results of operations.

The current administration has made public statements indicating that it has made international tax reform a priority, and key members of the U.S. Congress have conducted hearings and proposed new legislation. Recent changes to U.S. tax laws, including limitations on the ability of taxpayers to claim and utilize foreign tax credits and the deferral of certain tax deductions until earnings outside of the U.S. are repatriated to the U.S., as well as changes to U.S. tax laws that may be enacted in the future, could impact the tax treatment of our foreign earnings, as well as cash and cash equivalent balances we currently maintain outside of the U.S. We are also subject to the taxation regimes of numerous foreign jurisdictions where our subsidiaries are organized or operate. Due to economic and political conditions, tax rates and policies in the U.S. or internationally may be subject to significant change. For example, effective April 1, 2015, the UK enacted a new taxing regime known as the diverted profits tax, which aims to counteract arrangements by corporate multinationals that result in the erosion

of the UK tax base and that could increase our effective tax rate in that jurisdiction. As we expand our international business activities, any changes in the U.S. or foreign taxation of such activities may increase our worldwide effective tax rate and, in turn, adversely impact our financial condition and results of operations.

We rely on performance marketing networks and retailers to determine the amount payable to us accurately. If their reports are inaccurate or delayed, our operating results could be harmed and we could experience fluctuations in our performance.

Our performance marketing networks and retailers typically pay us on a monthly basis based upon sales generated from digital offers. We rely on our performance marketing networks and retailers to report accurately and in a timely manner the amount of commission revenues earned by us. We calculate our net revenues, prepare our financial reports, projections and budgets and direct our advertising, marketing and other operating efforts based in part on reports we receive from our performance marketing networks and retailers. It is difficult for us to determine independently whether our performance marketing networks or retailers are reporting all revenue data due to us. We have occasionally experienced instances of incomplete or delayed reports from our performance marketing networks and retailers, and we generally do not have the contractual right to audit our performance marketing networks or retailers. We have also experienced instances where payments may not be made by retailers through performance marketing networks, which can increase the likelihood that accounts receivable will be written off as uncollectible. To the extent that our performance marketing networks or retailers fail to report accurately the amount of net revenues payable to us in a timely manner or at all, we will not recognize and collect net revenues to which we are entitled, which could harm our operating results. If we are allowed to audit a performance marketing network or retailer and do so, or if we otherwise dispute the accuracy of a revenue report a performance marketing network or retailer has delivered to us, our recognition of net revenues to which we may ultimately be entitled could be delayed. Conversely, if a performance marketing network or retailer delivers a report overstating the amount of net revenues earned by us in one period and attempts to reverse the overpayment in a subsequent period, whether by seeking a refund from us or reducing a future payment due to us, our recognition of revenue could be overstated. Any such delay or overstatement in our revenue recognition could harm our business and operating results.

We obtain the revenue reporting information from our performance marketing networks using a variety of methods, including the use of file transfer protocol file feeds, various application programming interfaces provided by the performance marketing networks and manual downloads of data from the performance marketing networks' web portals. The use of any of these methods, in isolation, inherently subjects us to lower levels of internal control over revenue data, which could result in a misstatement of our net revenues. We have automated the process for collecting a substantial portion of the data necessary to record our net revenues. We currently augment this automated data collection process with manual validation of data from certain of the performance marketing networks' web portals to help minimize risk of error. However, our validation methods may evolve over time. We cannot guarantee our ability to detect all errors in the data obtained automatically, which could affect our ability to accurately report our net revenues.

If we are unable to comply with all covenants of our current and future debt arrangements, and if our lenders fail to waive any violation of those covenants by us, we could be subject to substantial penalties, which would impair our ability to operate and adversely affect our operating results.

We currently have a term debt facility that provides us with cash, which we use to fund our operations and which requires us to comply with a number of restrictive covenants. We may enter into other debt arrangements in the future, which may contain similar or additional restrictive covenants. We are currently subject to covenants related to minimum trailing twelve-month EBITDA levels, a total debt to EBITDA ratio, a senior secured debt to EBITDA ratio, and a fixed charge coverage ratio (each as more fully described in our second amended and restated revolving credit and term loan agreement), and the defense of our intellectual and other property, among others. We may become subject to additional covenants in connection with future debt arrangements. If we are unable to comply with one or more covenants applicable to us and our lenders are unwilling to waive our noncompliance, our lenders may have the right to terminate their commitments to lend to us, cause all amounts outstanding to become due and payable immediately, sell certain of our assets which are collateral for our obligations upon the satisfaction of certain conditions and take other measures which may impair our operations. If funds under our loan arrangements become unavailable or if we are forced unexpectedly to repay amounts outstanding under our loan arrangements, our assets and cash flow may be insufficient to make such repayments or may leave us with insufficient funds to continue our operations as planned and would have a material adverse effect on our business.

If we cannot maintain our corporate culture, we could lose the innovation, teamwork and focus that contribute to our business.

We believe that a critical component of our success has been our corporate culture, which we believe fosters innovation, encourages teamwork, cultivates creativity and promotes focus on execution. We have invested and continue to invest

substantial time, energy and resources in building a highly collaborative team that works together effectively in an environment designed to promote openness, honesty, mutual respect and the pursuit of common goals. As we continue to develop the infrastructure of a public company, and particularly in light of the reduction in U.S. headcount that occurred in August 2015, we may find it difficult to maintain these valuable aspects of our corporate culture and to attract competent personnel who are willing to embrace our culture. Any failure to preserve our culture could negatively impact our future success, including our ability to attract and retain personnel, encourage innovation and teamwork and effectively focus on and pursue our corporate objectives.

We are subject to currency exchange risk in connection with our international business operations and are exposed to interest rate risk.

Cash inflows and outflows in our international operations are typically denominated in currencies other than the U.S. dollar, which is our functional currency for financial reporting purposes. For 2015, 2014 and 2013 approximately 21.4%, 21.8% and 20.6%, respectively, of our net revenues were denominated in such foreign currencies. In addition, certain intercompany indebtedness between us and a foreign subsidiary, which uses the Euro as its functional currency, is dollar denominated. Our reliance on and exposure to foreign currencies subjects our financial results to fluctuations in currency exchange rates and changes in the proportion of our net revenues and expenses attributable to each of our foreign locations. For example, we recognized a foreign exchange loss of $0.4 million, a foreign exchange loss of $0.9 million and a foreign exchange gain of $0.7 million in 2015, 2014 and 2013, respectively. In addition, we expect our exposure to fluctuations in foreign exchange rates to increase as we expand our business in existing and new international markets and when the exchange rates strengthen or weaken against the U.S. dollar. We began entering into hedging arrangements related to our intercompany indebtedness in December 2014, and we expect to continue to enter into hedging arrangements in the future in order to manage our exposure to foreign currency fluctuations, but such activity may not completely eliminate fluctuations in our operating results. Foreign currency exchange rate fluctuations have adversely impacted our profitability and may continue to do so in the future.

In addition, we face exposure to fluctuations in interest rates for amounts outstanding under our credit facility, which may increase our borrowing costs, adversely impacting our profitability.

We may be required to record a significant charge to earnings if our goodwill or amortizable intangible assets become impaired.

We are required under GAAP to review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or any other significant adverse change that would indicate that the carrying amount of an asset or group of assets may not be recoverable. The events and circumstances we consider include the business climate, legal factors, operating performance indicators and competition. In 2015, we recorded a charge against earnings for impairment of $2.3 million of our amortizable intangible assets and in the future we may be required to record a significant charge to earnings in our consolidated financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined. This could adversely impact our results of operations.

Risks Related to Ownership of Our Common Stock

Our stock price is highly volatile.

The trading price of our common stock has been, and is likely to continue to be, highly volatile. Since shares of our common stock were sold in our initial public offering in July 2013 at a price of $21.00 per share, the reported high and low sales prices of our Series 1 common stock has ranged from $8.22 to $48.73 per share through December 31, 2015. The trading price of our stock has been and is likely to continue to be subject to wide fluctuations in response to various factors, including the risk factors described in this section and elsewhere in this Annual Report on Form 10-K, and other factors beyond our control. Factors affecting the trading price of our common stock include:

- variations in our actual or projected operating results or the operating results of similar companies;
- periodic changes to search engine algorithms that lead to actual or perceived decreases in traffic to our websites;
- announcements of technological innovations, new services or service enhancements and strategic alliances or agreements by us or by our competitors;
- marketing and advertising initiatives by us or our competitors;

- the gain or loss of retailer relationships;
- threatened or actual litigation;
- major changes in our management;
- recruitment or departure of key personnel;
- changes in the estimates of our operating results or changes in recommendations by any securities analysts that follow our Series 1 common stock;
- market conditions in our industry, the industries of our customers and the economy as a whole;
- the overall performance of the equity markets;
- sales of shares of our Series 1 common stock by existing stockholders, including our directors and executive officers and their affiliates;
- the concentration of ownership of outstanding shares of our Series 1 common stock;
- our share repurchase program;
- volatility in our stock price, which may lead to higher stock-based compensation expense under applicable accounting standards;
- reaction to our press releases or other public announcements and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- raising additional capital from any equity or debt financing in the future; and
- adoption or modification of regulations, policies, procedures or programs applicable to our business

In addition, the stock market in general and the market for e-commerce companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors may harm the market price of our Series 1 common stock regardless of our actual operating performance. Each of these factors, among others, could adversely affect your investment in our Series 1 common stock. Some companies that have had volatile market prices for their securities have had securities class action lawsuits filed against them. If a suit were filed against us, regardless of its merits or outcome, it could result in substantial costs and divert management's attention.

Our stock price could decline due to the large number of outstanding shares of our common stock eligible for future sale.

Sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could cause the market price of our common stock to decline. These sales could also make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

As of December 31, 2015 we had 51,091,393 shares of common stock outstanding. Shares beneficially owned by our affiliates and employees are subject to volume and other restrictions under Rules 144 and 701 under the Securities Act of 1933, as amended, or the Securities Act, various vesting agreements, our insider trading policy and any applicable 10b5-1 trading plan.

In addition, we have registered 15,608,683 shares of Series 1 common stock that we have issued and may issue under our equity plans (3,030,269 shares of which were issued and outstanding as of December 31, 2015), and intend to register an additional 2,554,568 shares of Series 1 common stock that were added to our equity plans in January 2016 by virtue of those plans' evergreen provisions. These shares can be freely sold in the public market upon issuance, subject in some cases to volume and other restrictions under Rules 144 and 701 under the Securities Act, and various vesting agreements. In addition, some of our employees, including some of our named executive officers, have entered into 10b5-1 trading plans regarding sales of shares of our Series 1 common stock. If any of these additional shares are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline.

As of January 31, 2016, holders of approximately 14.7% of our common stock were entitled to rights with respect to the registration of these shares under the Securities Act. If we register their shares of common stock, these stockholders could sell those shares in the public market without being subject to the volume and other restrictions of Rule 144 and Rule 701.

Our responsibilities as a public company may cause us to incur significant costs, divert management's attention and affect our ability to attract and retain qualified board members and executives.

We are subject to the reporting requirements of the Securities Exchange Act of 1934, the Sarbanes-Oxley Act, including the requirements of Section 404, as well as rules and regulations subsequently implemented by the SEC, the Public Company Accounting Oversight Board and the NASDAQ Global Select Market. Compliance with these public company requirements has made some activities more time-consuming. It has also increased our legal and financial compliance costs and demand on our systems and resources. For example, we have created new board committees and adopted new internal controls and disclosure controls and procedures. In addition, we have incurred and will continue to incur incremental expenses associated with our SEC reporting requirements. Furthermore, if we identify any issues in complying with those requirements (for example, if we or our auditors identify a material weakness or significant deficiency in our internal control over financial reporting), we could incur additional costs rectifying those issues, and the existence of those issues could adversely affect us, our reputation or investor perceptions of us. Advocacy efforts by stockholders and third parties may also prompt additional changes in governance and reporting requirements, which could further increase our costs. It also may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers.

In addition, changing laws, regulations and standards relating to public disclosure and corporate governance are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to our disclosures and to our governance practices. We have invested, and intend to continue to invest, resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention away from activities that generate revenue and help grow our business.

If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, our ability to operate our business and investors' views of us.

Ensuring that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be re-evaluated frequently. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. We recently completed the process of documenting, reviewing and improving our internal controls and procedures for compliance with Section 404 of the Sarbanes-Oxley Act, which requires annual management assessment of the effectiveness of our internal control over financial reporting. During 2015, we had a change in our internal control over financial reporting that occurred as a result of our implementation of a new enterprise resource planning, or ERP, system that materially affected our internal control over financial reporting. If we are not able to maintain or document proper and effective internal control over financial reporting, or encounter difficulties in their implementation, it may cause us to be unable to report our financial information on an accurate and timely basis, or may cause us to restate previously issued financial information, and thereby subject us to adverse regulatory consequences. Furthermore, our independent registered public accounting firm would not be able to certify as to the effectiveness of our internal control over financial reporting. Any such failure could harm our operating results, harm our ability to operate our business, and reduce the trading price of our stock.

We cannot guarantee that we will repurchase additional shares of our common stock pursuant to our ongoing share repurchase program or that our share repurchase program will enhance long-term stockholder value. Share repurchases could also increase the volatility of the price of our common stock and could diminish our cash reserves.

In February 2015, our board of directors authorized a share repurchase program. Under the program, we were initially authorized to repurchase shares of Series 1 common stock for an aggregate purchase price not to exceed $100 million. In February 2016, our board of directors authorized an additional $50 million under the repurchase program, bringing the total amount of the program up to $150 million. The repurchase program is authorized through February 2017. During 2015, we repurchased 4,323,000 shares of our Series 1 common stock at an aggregate purchase price of $52.8 million.

Although the Board has authorized the share repurchase program, the share repurchase program does not obligate us to repurchase any specific dollar amount or to acquire any specific number of shares. The timing and amount of repurchases, if any, will depend upon several factors, including market and business conditions, the trading price of our Series 1 common stock and the nature of other investment opportunities. The repurchase program may be limited, suspended or discontinued at any time without prior notice. In addition, repurchases of our Series 1 common stock pursuant to our share repurchase program could affect the market price of our Series 1 common stock or increase its volatility. For example, the existence of a share repurchase program could cause our stock price to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our stock. Additionally, our share repurchase program has increased our level of long-term debt and reduced our cash reserves, and those reserves may be reduced further in the future, which may impact our

ability to finance future growth and to pursue possible future strategic opportunities and acquisitions. There can be no assurance that any share repurchases will enhance stockholder value because the market price of our Series 1 common stock has declined, and may in the future decline, below the levels at which we repurchase shares of stock. Although our share repurchase program is intended to enhance long-term stockholder value, there is no assurance that it will do so and short-term stock price fluctuations could reduce the program's effectiveness.

If securities or industry analysts do not continue to publish research or publish unfavorable or misleading research about our business, our stock price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who covers us downgrades our stock or publishes unfavorable or misleading research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, we could lose visibility in the market for our stock and demand for our stock could decrease, which could cause our stock price or trading volume to decline.

Anti-takeover provisions in our charter documents and Delaware law could discourage, delay or prevent a change in control of our company and may affect the trading price of our Series 1 common stock.

We are a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law, which apply to us, may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the stockholder becomes an interested stockholder, even if a change in control would be beneficial to our existing stockholders. In addition, our certificate of incorporation and bylaws may discourage, delay or prevent a change in our management or control over us that stockholders may consider favorable. Our certificate of incorporation and bylaws:

- authorize the issuance of "blank check" preferred stock that could be issued by our board of directors to defend against a takeover attempt;
- establish a classified board of directors, as a result of which the successors to the directors whose terms have expired will be elected to serve from the time of election and qualification until the third annual meeting following their election;
- require that directors only be removed from office for cause and only upon a supermajority stockholder vote;
- provide that vacancies on the board of directors, including newly created directorships, may be filled only by a majority vote of directors then in office rather than by stockholders;
- prevent stockholders from calling special meetings; and
- prohibit stockholder action by written consent, requiring all actions to be taken at a meeting of the stockholders.

We currently do not intend to pay dividends on our common stock and, consequently, your only opportunity to achieve a return on your investment is if the price of our Series 1 common stock appreciates.

We currently do not plan to declare dividends on shares of our common stock in the foreseeable future. Any payment of future dividends will be at the discretion of our board of directors, subject to compliance with certain covenants contained in our credit facility, which limit our ability to pay dividends, and will depend on our financial condition, results of operations, capital requirements, general business conditions, and other factors that our board of directors may deem relevant. Consequently, your only opportunity to achieve a return on your investment in our company will be if the market price of our Series 1 common stock appreciates and you sell your shares at a profit.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our principal executive offices are located in Austin, Texas, where we lease approximately 99,955 square feet of office space under a lease that expires in February, 2024. We also lease office space in Hoboken, New Jersey; London, England; Paris, France; Vannes, France; and Amsterdam, the Netherlands. Our primary data centers are located in California, Oregon and Virginia. We believe our current and planned office facilities and data center space will be adequate for our needs for the foreseeable future.

For additional information regarding obligations under operating leases, see Note 7 of the Notes to Consolidated Financial Statements included in Part II, Item 8: "Financial Statements" of this Annual Report on Form 10-K.

Item 3. Legal Proceedings.

From time to time, we may become involved in litigation related to claims arising from the ordinary course of our business. We believe that there are no claims or actions pending or threatened against us, the ultimate disposition of which would have a material adverse effect on us.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our Series 1 common stock has been listed on the NASDAQ Global Select Market under the symbol "SALE" since July 19, 2013. Prior to that date, there was no public trading market for our Series 1 common stock. Our Series 1 common stock priced at $21.00 per share in our initial public offering on July 18, 2013. The following table sets forth for the periods indicated the high and low intra-day sale prices per share of our Series 1 common stock as reported on the NASDAQ Global Select Market:

	Low	High
Year Ended December 31, 2015		
Fourth Quarter	$ 7.98	$ 11.46
Third Quarter	$ 7.66	$ 18.03
Second Quarter	$ 17.17	$ 21.68
First Quarter	$ 13.55	$ 18.84

	Low	High
Year Ended December 31, 2014		
Fourth Quarter	$ 13.29	$ 21.50
Third Quarter	$ 16.13	$ 26.99
Second Quarter	$ 22.45	$ 35.74
First Quarter	$ 28.01	$ 48.73

On January 31, 2016, the last reported sale price of our Series 1 common stock on the NASDAQ Global Select Market was $9.10 per share, and there were 16 holders of record of our Series 1 common stock. The actual number of holders of Series 1 common stock is greater than these numbers of record holders and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and nominees. The number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

Dividend Policy

We have never declared or paid any cash dividends on our common stock. Neither Delaware law nor our amended and restated certificate of incorporation requires our board of directors to declare dividends on our common stock. Any future determination to declare cash dividends on our common stock will be made at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors may deem relevant. We do not anticipate paying cash dividends on our common stock for the foreseeable future.

Equity Compensation Plan Information

Information regarding the securities authorized for issuance under our equity compensation plans will be included in our Proxy Statement relating to our 2016 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2015, and is incorporated herein by reference.

Issuer Purchases of Equity Securities (1)

Our Series 1 common stock repurchase activity during the three months ended December 31, 2015 was as follows:

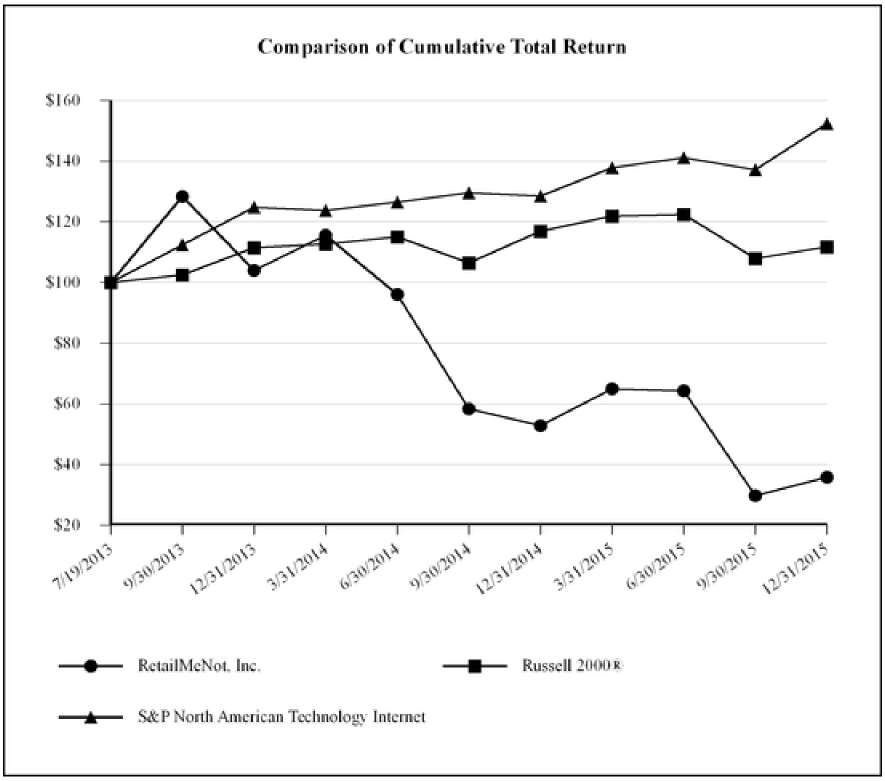
Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
	(in thousands, except average price per share)			
October 1 – 31, 2015	—	$ —	—	$ 61,234
November 1 – 30, 2015	1,508	9.31	1,508	47,192
December 1 – 31, 2015	—	—	—	47,192
Total	1,508	$ 9.31	1,508	$ 47,192

(1) On February 5, 2015, our board of directors authorized a program to repurchase up to $100 million worth of our Series 1 common stock over a period of up to 24 months. The repurchase program was publicly announced on February 10, 2015. As of December 31, 2015, $52.8 million of the $100 million has been utilized. In February 2016, our board of directors authorized the repurchase of an additional $50 million worth of shares of our Series 1 common stock, increasing the total authorized amount under our share repurchase program implemented in February 2015 to $150 million. The share repurchase program is authorized through February 2017. Our share repurchase program does not obligate us to acquire any specific number of shares. Under the program, shares may be repurchased in privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Exchange Act.

Performance Graph

Notwithstanding any statement to the contrary in any of our filings with the SEC, the following information shall not be deemed "filed" with the SEC or "soliciting material" under the Securities Exchange Act of 1934 and shall not be incorporated by reference into any such filings irrespective of any general incorporation language contained in such filing.

The following graph compares the total cumulative stockholder return on our common stock with the total cumulative return of the Russell 2000® Index and the S&P North American Technology Internet Index during the period commencing on July 19, 2013, the initial trading day of our Series 1 common stock, and ending on December 31, 2015. The graph assumes a $100 investment at the beginning of the period in our Series 1 common stock, the stocks represented in the Russell 2000® Index and the stocks represented in the S&P North American Technology Internet Index, and reinvestment of any dividends. The S&P North American Technology Internet Index is a modified-capitalization weighted index of stocks representing the Internet industry, including Internet content and access providers, Internet software and services companies and e-commerce companies. Historical stock price performance should not be relied upon as an indication of future stock price performance.



Item 6. Selected Financial Data.

The tables on the following pages set forth the consolidated financial and operating data as of and for the periods indicated. The consolidated statements of operations data presented below for the years ended December 31, 2015, 2014 and 2013 and the consolidated balance sheet data as of December 31, 2015 and 2014 have been derived from the audited consolidated financial statements that are included in Part II, Item 8: "Financial Statements." The consolidated statements of operations data presented below for the years ended December 31, 2012 and 2011 and the consolidated balance sheet data as of December 31, 2013, 2012 and 2011 are derived from audited consolidated financial statements that are not included in this report.

We acquired the businesses of RetailMeNot.com in November 2010, VoucherCodes.co.uk in August 2011, Bons-de-Reduction.com and Poulpeo.com in May 2012, Actiepagina.nl in March 2013, Ma-Reduc.com in July 2013 and YSL Ventures in October 2013. The consolidated statements of operations, balance sheets and statements of cash flows include the results of businesses acquired from the effective date of the acquisition for accounting purposes.

The following information should be read in conjunction with our consolidated financial statements and related notes, the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the other information included elsewhere in this filing. Our historical results are not necessarily indicative of our future results.

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands, except per share amounts)				
Consolidated Statements of Operations Data:					
Net revenues	$ 249,115	$ 264,683	$ 209,836	$ 144,685	$ 80,402
Costs and expenses:					
Cost of net revenues	19,904	18,617	13,049	9,113	3,980
Product development	51,580	47,882	30,566	14,481	4,388
Sales and marketing	99,380	90,062	70,303	40,672	15,341
General and administrative	39,813	42,343	28,583	15,758	6,883
Amortization of purchased intangible assets	10,664	12,243	12,081	13,158	11,296
Other operating expenses	4,616	4,065	2,525	6,006	35
Total costs and expenses	225,957	215,212	157,107	99,188	41,923
Income from operations	23,158	49,471	52,729	45,497	38,479
Other income (expense):					
Interest expense, net	(1,988)	(1,981)	(2,980)	(3,221)	(7,784)
Fair value change of common stock warrant	—	—	—	—	(2,103)
Other income (expense), net	(315)	(1,102)	672	77	(129)
Income before income taxes	20,855	46,388	50,421	42,353	28,463
Provision for income taxes	(9,007)	(19,423)	(18,891)	(16,360)	(11,502)
Net income	$ 11,848	$ 26,965	$ 31,530	$ 25,993	$ 16,961
Preferred stock dividends on participating preferred stock	—	—	(19,928)	(24,577)	(64,715)
Total undistributed earnings (loss)	11,848	26,965	11,602	1,416	(47,754)
Undistributed earnings allocated to participating preferred stock	—	—	(5,998)	(1,390)	—
Net income (loss) attributable to common stockholders	$ 11,848	$ 26,965	$ 5,604	$ 26	$ (47,754)
Net income (loss) per share attributable to common stockholders:					
Basic	$ 0.22	$ 0.50	$ 0.24	$ 0.03	$ (64.19)
Diluted	$ 0.22	$ 0.49	$ 0.23	$ 0.03	$ (64.19)
Weighted-average number of common shares used in computing net income per share:					
Basic	53,076	53,792	23,074	841	744
Diluted	54,099	55,311	25,742	2,277	744

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 259,769	$ 244,482	$ 165,881	$ 97,142	$ 88,234
Working capital	299,976	286,253	194	98	78,631
Total assets	607,216	599,104	512	371	347,326
Total liabilities	115,827	94,349	81	63	74,817
Redeemable convertible preferred stock	—	—	—	349	321,450
Total stockholders' equity (deficit)	491,389	504,755	431	(41)	(48,941)

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands, except net revenues per visit)				
Operating Metrics(1):					
Visits:					
Desktop visits	420,485	499,549	459,805	414,830	349,992
Mobile visits	297,871	197,582	100,627	49,410	—
Total visits	718,356	697,131	560,432	464,240	349,992
Online transaction net revenues per visit:					
Desktop online transaction net revenues per visit	$ 0.41	$ 0.44	$ 0.42	$ 0.33	$ 0.22
Mobile online transaction net revenues per visit	$ 0.08	$ 0.08	$ 0.06	$ 0.04	$ —
Total online transaction net revenues per visit	$ 0.28	$ 0.34	$ 0.35	$ 0.30	$ 0.22
Mobile unique visitors(2)	23,194	21,224	11,913	—	—
Other Financial Data(1):					
Online transaction net revenues:					
Desktop online transaction net revenues	$ 173,922	$ 219,593	$ 190,861	$ 137,428	$ 75,929
Mobile online transaction net revenues	24,406	15,686	6,010	1,746	—
Total online transaction net revenues	198,328	235,279	196,871	139,174	75,929
Advertising and in-store net revenues	50,787	29,404	12,965	5,511	4,473
Net revenues	249,115	264,683	209,836	144,685	80,402
Adjusted EBITDA	71,890	93,900	81,320	70,373	51,895

(1) See Part II, Item 7: "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Financial and Operating Metrics" on page 48 for a description of these operating metrics and other financial data.
(2) We present mobile unique visitors as the average monthly mobile unique visitors for the last three months of the period. Amounts for 2012 and 2011 were not meaningful.

The following table presents a reconciliation of adjusted EBITDA to net income for each of the periods indicated:

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands)				
Reconciliation of Adjusted EBITDA:					
Net income	$ 11,848	$ 26,965	$ 31,530	$ 25,993	$ 16,961
Depreciation and amortization expense	17,131	15,746	14,112	14,192	11,556
Stock-based compensation expense	26,894	24,518	10,507	4,048	471
Third party acquisition-related costs	91	100	1,447	630	1,354
Other operating expenses	4,616	4,065	2,525	6,006	35
Interest expense, net	1,988	1,981	2,980	3,221	7,784
Fair value change of common stock warrant	—	—	—	—	2,103
Other (income) expense, net	315	1,102	(672)	(77)	129
Provision for income taxes	9,007	19,423	18,891	16,360	11,502
Adjusted EBITDA	$ 71,890	$ 93,900	$ 81,320	$ 70,373	$ 51,895

The following tables present depreciation and stock-based compensation expense as included in the various lines of our consolidated statements of operations:

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands)				
Depreciation Expense:					
Cost of net revenues	$ 523	$ 456	$ 299	$ 99	$ 62
Product development	3,504	1,491	818	380	74
Sales and marketing	1,354	1,025	603	382	84
General and administrative	1,086	531	311	173	40
Total depreciation expense	$ 6,467	$ 3,503	$ 2,031	$ 1,034	$ 260

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands)				
Stock-Based Compensation Expense:					
Cost of net revenues	$ 2,211	$ 1,848	$ 704	$ 157	$ 23
Product development	8,667	7,289	2,419	1,144	164
Sales and marketing	6,254	5,547	2,398	993	113
General and administrative	9,762	9,834	4,986	1,754	171
Total stock-based compensation expense	$ 26,894	$ 24,518	$ 10,507	$ 4,048	$ 471

Non-GAAP Financial Measures

Adjusted EBITDA

To provide investors with additional information regarding our financial results, we have disclosed in the table above and elsewhere in this filing adjusted EBITDA, a non-GAAP financial measure. We have provided a reconciliation above of adjusted EBITDA to net income, the most directly comparable GAAP financial measure.

We have included adjusted EBITDA in this filing because it is a key measure used by our management and board of directors to understand and evaluate our operating performance for the following reasons:

- our management uses adjusted EBITDA in conjunction with GAAP financial measures as part of our assessment of our business and in communications with our board of directors concerning our financial performance;
- our management and board of directors use adjusted EBITDA in establishing budgets, operational goals and as an element in determining executive compensation;
- adjusted EBITDA provides consistency and comparability with our past financial performance, facilitates period-to-period comparisons of operations that could otherwise be masked by the effect of the expenses that we exclude in this non-GAAP financial measure and facilitates comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results;
- securities analysts use a measure similar to our adjusted EBITDA as a supplemental measure to evaluate the overall operating performance and comparison of companies, and we include adjusted EBITDA in our investor and analyst presentations; and
- adjusted EBITDA excludes non-cash charges, such as depreciation, amortization and stock-based compensation, because such non-cash expenses in any specific period may not directly correlate to the underlying performance of our business operations and can vary significantly between periods.

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- adjusted EBITDA excludes stock-based compensation expense which has been, and will continue to be for the foreseeable future, a significant recurring expense in our business and is an important part of our employees' compensation;
- adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us; and
- other companies, including companies in our industry, may calculate adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, net income and our other GAAP results.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in the section titled "Risk Factors."

We operate a leading digital savings destination connecting consumers with retailers, restaurants and brands, both online and in-store. In the year ended December 31, 2015, our marketplace featured digital offers from over 70,000 retailers and brands, and we had contracts with more than 12,000 retailers. According to our internal data compiled using Google Analytics, we had approximately 718 million total visits to our desktop and mobile websites. During the three months ended December 31, 2015, we averaged approximately 23.2 million mobile unique visitors per month.

We derive the substantial majority of our net revenues from retailers, restaurants or brands that pay us directly or through third-party performance marketing networks. A retailer is a merchant that sells goods or services directly to consumers. A paid retailer is a retailer, restaurant or brand that has contracted to pay us a commission for sales which we influence using digital offers made available in our marketplace and/or a retailer, restaurant or brand that we have a contract with to pay us to promote their digital offers or provide advertising in our marketplace. In some instances, the paid retailer itself provides affiliate tracking links for attribution of online sales using digital offers made available in our marketplace and pays us directly. However, in most cases, paid retailers contract with performance marketing networks to provide affiliate tracking links for attribution of online sales using digital offers made available in our marketplace. These paid retailers then pay the commissions we earn to the performance marketing network, which in turn pays those commissions to us. In general, our contracts with performance marketing networks govern our use of affiliate tracking links made available to us by the performance marketing network and the remittance of any commissions payable to us from paid retailers utilizing the performance marketing network. The performance marketing network with which a paid retailer contracts to provide affiliate tracking links provides us with the paid retailer's contract terms, which must be accepted by us and the paid retailer, and which further govern our use of affiliate tracking links for such paid retailer and payment of commissions to us. Our contracts are generally short term, meaning that they can be canceled by any of the contracting parties on 30 days' notice or less.

In 2015, the substantial majority of our net revenues were derived from commissions earned when consumers made purchases using digital offers featured on our websites and mobile applications. We expect that a majority of our net revenues in the future will continue to be derived from these commissions. Commission rates are determined through negotiations with retailers based on a variety of factors, including the level of exposure to consumers in our marketplace, the quality and volume of sales realized from consumers using digital offers from our marketplace and the category of products purchased using digital offers. We sell our solutions to retailers, restaurants and brands through a direct sales force.

During 2015 we generated net revenues of $249.1 million, a decrease of 5.9% from $264.7 million in 2014. Net income for 2015 was $11.8 million, a 56.1% decrease from $27.0 million in 2014. Adjusted EBITDA for 2015 was $71.9 million, a 23.4% decrease from $93.9 million in 2014. See Part II, Item 6: "Selected Financial Data," page 43, for further discussion of adjusted EBITDA, our use of this measure, the limitations of this measure as an analytical tool, and the reconciliation of adjusted EBITDA to net income, the most directly comparable GAAP financial measure.

In August 2015, we announced a plan to reduce operating expenses in order to realign our cost structure with our current strategic plan. As part of this expense reduction, we reduced U.S. headcount by approximately 10%. We incurred approximately $1.2 million in severance costs associated with the targeted employee reductions, which were included in the results of our operations for 2015.

We were formed in 2007 and began our operations as a marketplace for digital offers in November 2009 with the acquisitions of the businesses of Deals2Buy.com, Coupon7.com, Couponshare.com and CheapStingyBargains.com. In November 2010, we acquired the business of RetailMeNot.com. In August 2011, we acquired the business of VoucherCodes.co.uk, expanding our operations into the U.K. In April 2012, we acquired the businesses of Bons-de-Reduction.com and Poulpeo.com, expanding our operations into France. In March 2013, we acquired the business of Actiepagina.nl, expanding our operations into the Netherlands. In July 2013, we acquired the business of Ma-Reduc.com, expanding our existing operations in France. In October 2013, we acquired the business and associated offer validation technology of YSL Ventures, Inc., which operated under the name Zendeals. Our net revenues for 2013 include the revenues of Actiepagina.nl, Ma-Reduc.com and YSL Ventures, Inc. for the period from the respective acquisition dates through December 31, 2013.

Our acquisitions have required us to integrate new operations, offices and employees and to formulate and execute on marketing, product, sales, content and technology strategies associated with the acquired businesses. We continue to manage multiple brands and certain of the technology platforms of the acquired businesses, which has increased our cost of operations.

We believe that featuring desirable digital offers is necessary to attract visitors to our marketplace, which includes our websites, mobile applications, email, mobile alerts and social media distribution channels. In addition to increasing the number of visitors to our marketplace, we are focused on increasing the rate and frequency at which these visitors make purchases from retailers whose digital offers are featured in our marketplace. To meet these challenges, we are focused on a combination of marketing strategies, including pay-per-click advertising, search engine optimization, branding campaigns and email and mobile alerts, with a goal of driving visits to our marketplace as well as increasing the exposure of the digital offer category. We are also investing in product enhancements to make it easier for consumers visiting our marketplace to search and find the right digital offers and in expanding the types of digital offers available to consumers on our marketplace. We believe these enhancements will increase consumers' interactions with retailers in our marketplace, which will in turn increase the value we are able to provide to our paid retailers.

We intend to achieve future success by continuing to focus on improving the monetization of our mobile websites and mobile applications. Since the launch of our mobile websites and mobile applications, traffic to these properties has increased significantly. However, mobile traffic generally monetizes at a lower rate than desktop traffic. We believe the comparatively lower rate of monetization primarily results from the following: (1) mobile visits tend to be more exploratory in nature, due to lower purchase intent than desktop visits, difficulties in navigating from our mobile websites and applications to retailer websites and friction in the purchase process on retailers' mobile websites, (2) we do not receive sales commissions or attribution when consumers that visit our websites and mobile applications using a mobile device subsequently make a purchase by directly accessing a retailer's website on another device, such as a desktop or tablet or in-store (a circumstance known as cross device switching) and (3) some retailers currently do not recognize affiliate tracking links on their mobile websites or applications, and the tracking mechanisms related to such may not function to allow proper attribution of sales to us. We intend to introduce new methods of monetizing our consumer traffic, particularly the traffic to our mobile websites and applications, through a variety of methods, including improved attribution to us of the sales that we help drive for our retail and brand partners, the use of pricing structures other than our traditional commission-based model (particularly with respect to advertising) and the use of multichannel digital offer solutions.

We also intend to enhance the monetization of our websites and mobile applications by making product improvements that appeal to both consumers and retailers. These enhancements include increased leveraging of data to better personalize digital offers for consumers and to be a more effective channel for paid retailers to leverage our audience of users; further developing the location-based services features on our mobile applications to provide more geographically relevant digital offers; expanding food and dining content, which we believe consumers use on a more frequent basis; and continuing to invest in product functionality that encourages engagement of our community of users.

We also believe that recruiting, training and retaining talented employees and strengthening our direct relationships with consumers and retailers will be critical to our future success. We aim to further strengthen our value proposition for both consumers and retailers by scaling our expanded range of offer types. For example, we now offer sponsored category listings, more advertising opportunities and digital circulars and showcases to retailers and discounted digital gift cards and digital rebates to consumers.

Finally, we also plan to improve the consistency and reliability of our marketplace by continuing to invest in the development and implementation of certain universal software platforms to support our international websites. We believe this investment has allowed, and will allow in the future, us to more easily and rapidly expand organically in new geographic markets and integrate the systems of any additional digital offering businesses which we may acquire and should result in increased operational efficiency.

We believe that these significant investments in our product, team, relationships and technology will enable our expansion into new markets and improve the quality, consistency and monetization of our marketplace.

Key Financial and Operating Metrics

We measure our business using both financial and operating metrics. We use these metrics to assess the progress of our business, make decisions on where to allocate capital, time and technology investments, and assess the longer-term performance of our business. The key financial and operating metrics we use are as follows:

	Year Ended December 31,		
	2015	2014	2013
	(in thousands, except net revenues per visit)		
Financial Metrics			
Online transaction net revenues:			
Desktop online transaction net revenues	$ 173,922	$ 219,593	$ 190,861
Mobile online transaction net revenues	24,406	15,686	6,010
Total online transaction net revenues	198,328	235,279	196,871
Advertising and in-store net revenues	50,787	29,404	12,965
Net revenues	249,115	264,683	209,836
Adjusted EBITDA	71,890	93,900	81,320
Operating Metrics			
Visits:			
Desktop visits	420,485	499,549	459,805
Mobile visits	297,871	197,582	100,627
Total visits	718,356	697,131	560,432
Online transaction net revenues per visit:			
Desktop online transaction net revenues per visit	$ 0.41	$ 0.44	$ 0.42
Mobile online transaction net revenues per visit	$ 0.08	$ 0.08	$ 0.06
Total online transaction net revenues per visit	$ 0.28	$ 0.34	$ 0.35
Mobile unique visitors	23,194	21,224	11,913

Financial Metrics

Desktop Online Transaction Net Revenues. We define desktop online transaction net revenues as amounts paid to us by paid retailers, either directly or through performance marketing networks, in the form of commissions for completed online transactions on desktop computers and tablet devices. In general, we earn a commission from a paid retailer when a consumer clicks on a digital offer for that paid retailer on one of our websites or tablet applications and then makes an online purchase from that paid retailer.

Mobile Online Transaction Net Revenues. We define mobile online transaction net revenues as amounts paid to us by paid retailers, either directly or through performance marketing networks, in the form of commissions for completed online transactions on smartphones and other mobile devices. In general, we earn a commission from a paid retailer when a consumer clicks on a digital offer for that paid retailer on one of our websites or mobile applications and then makes an online purchase from that paid retailer.

Online Transaction Net Revenues. We define online transaction net revenues as the total of our desktop online transaction net revenues and our mobile online transaction net revenues.

Advertising and In-store Net Revenues. We define advertising net revenues collectively as amounts paid to us by paid retailers for displaying digital offers that may be redeemed on one of our websites, as well as amounts paid to us by paid retailers for providing advertising of the retailer's brand or products in our marketplace. We define in-store net revenues collectively as commission amounts earned from paid retailers when a consumer presents a digital offer to the retailer and the digital offer is scanned or a unique digital offer code is entered by the retailer at the point of sale, as well as other amounts paid to us by paid retailers for displaying digital offers on our websites and mobile applications that may be redeemed in-store.

Net Revenues. We define net revenues as the total of our online transaction net revenues and our advertising and in-store net revenues. We believe net revenues are an important indicator for our business because they are a reflection of the value we offer to consumers and retailers through our marketplace.

Adjusted EBITDA. We define this metric as net income plus depreciation, amortization of intangible assets, stock-based compensation expense, third party acquisition-related costs, other non-cash operating expenses (including asset impairment charges and compensation arrangements entered into in connection with acquisitions), net interest expense, other non-operating income and expenses and income taxes, net of any foreign exchange income or expenses. We believe that the use of adjusted EBITDA is helpful in evaluating our operating performance because it excludes certain non-cash expenses, including depreciation, amortization of intangible assets and stock-based compensation expense. See page 42 in Part II, Item 6: "Selected Financial Data" for additional discussion of adjusted EBITDA and the reconciliation of adjusted EBITDA to net income, the most directly comparable financial measure calculated and presented in accordance with GAAP.

Operating Metrics

Desktop Visits. We define a desktop visit as an interaction or group of interactions that takes place on one of our websites from desktop computers and tablet devices within a given time frame as measured by Google Analytics, a product that provides digital marketing intelligence. A single visit can contain multiple page views, events, social interactions, custom variables, and e-commerce transactions. A single visitor can open multiple visits. Visits can occur on the same day, or over several days, weeks, or months. As soon as one visit ends, there is then an opportunity to start a new visit. A visit ends either through the passage of time or a campaign change, with a campaign generally meaning arrival via search engine, referring site, or campaign-tagged information. A visit ends through passage of time either after 30 minutes of inactivity or at midnight Pacific Time. A visit ends through a campaign change if a visitor arrives via one campaign or source, leaves the site, and then returns via another campaign or source. Currently, visits do not include interactions on our tablet applications.

Mobile Visits. We define a mobile visit as an interaction or group of interactions that takes place on one of our mobile websites from smartphones and other mobile devices within a given time frame as measured by Google Analytics, a product that provides digital marketing intelligence. A single visit can contain multiple page views, events, social interactions, custom variables, and e-commerce transactions. A single visitor can open multiple visits. Visits can occur on the same day, or over several days, weeks, or months. As soon as one visit ends, there is then an opportunity to start a new visit. A visit ends either through the passage of time or a campaign change, with a campaign generally meaning arrival via search engine, referring site, or campaign-tagged information. A visit ends through passage of time either after 30 minutes of inactivity or at midnight Pacific Time. A visit ends through a campaign change if a visitor arrives via one campaign or source, leaves the site, and then returns via another campaign or source. Currently, mobile visits do not include interactions on our mobile applications.

Visits. We define visits as the total of our desktop visits and mobile visits. We view visits to our websites as a key indicator of our brand awareness among consumers and whether we are providing consumers with useful products and features, thereby increasing their usage of our marketplace. We believe that a higher level of usage may contribute to an increase in our net revenues and exclusive digital offers as retailers will have exposure to a larger potential customer base.

Desktop Online Transaction Net Revenues per Visit. We define desktop online transaction net revenues per visit as desktop online transaction net revenues for the period divided by desktop visits for the period.

Mobile Online Transaction Net Revenues per Visit. We define mobile online transaction net revenues per visit as mobile online transaction net revenues for the period divided by mobile visits for the period.

Online Transaction Net Revenues per Visit. We define online transaction net revenues per visit as online transaction net revenues for the period divided by visits for the period.

Mobile Unique Visitors. This amount represents the average number of monthly mobile unique visitors for the last three months of the period. We define each of the following as a mobile unique visitor: (i) the first time a specific mobile device accesses one of our mobile applications during a calendar month, and (ii) the first time a specific mobile device accesses one of our mobile websites using a specific web browser during a calendar month. If a mobile device accesses more than one of our mobile websites or mobile applications in a single calendar month, the first access to each such mobile website or mobile application is counted as a mobile unique visitor, as they are tracked separately for each mobile domain. We measure mobile unique visitors with a combination of internal data sources and Google Analytics data.

We view mobile unique visitors as a key indicator of the size of our mobile audience as well as our brand awareness among consumers and usage of our mobile solutions which we expect to be important as users increasingly rely on their mobile devices.

Key Components of Our Results of Operations

Net Revenues

The substantial majority of our net revenues consist of commissions we receive from paid retailers, either directly or through performance marketing networks. In general, we earn commissions from a paid retailer when a consumer makes a purchase online from that paid retailer after clicking on a digital offer for that paid retailer on one of our websites or mobile applications. We also earn revenues from our in-store product, which include commissions earned from a retailer when a consumer presents a digital offer to the retailer in-store and the digital offer is scanned or a unique digital offer code is entered by the retailer at the point of sale, and amounts paid to us by retailers for displaying digital offers that may be redeemed in-store on our websites or mobile applications. We provide performance marketing solutions under contracts with retailers, which generally provide for commission payments to be facilitated by performance marketing networks. Commission rates are typically negotiated with individual retailers with which we have contracts. Our commission rates vary based on a variety of factors, including the retailer, the level of exposure to consumers in our marketplace, the quality and volume of sales realized from consumers using digital offers in our marketplace and the category of products purchased using digital offers. We recognize commission revenues when we receive confirmation that a consumer has completed a purchase transaction with a paid retailer, as reported to us through a performance marketing network, or in some cases, by the retailer directly. When a digital offer applies only to specific items, the discount to the consumer will be applied only to those specific items, but our commission is generally based on the aggregate purchase price of all items purchased at that time by the consumer. Finally, we also earn advertising revenues from advertising in our marketplace. Rates for advertising are typically negotiated with individual retailers with which we have contracts. Payments for advertising may be made directly by retailers or through performance marketing networks. We expect that the majority of our net revenues in the future will continue to be derived from commissions. Commission revenues are reported net of a reserve for estimated returns. We estimate returns based on our actual historical returns experience. These returns have not been significant.

Costs and Expenses

We classify our costs and expenses into six categories: cost of net revenues, product development, sales and marketing, general and administrative, amortization of purchased intangible assets and other operating expenses. We allocate our personnel, facilities and general information technology, or IT, costs, which include IT and facilities-related personnel costs, rent, depreciation and other general costs, to all of the above categories of operating expenses, other than amortization of purchased intangibles and other operating expenses.

We expect personnel costs will be higher in 2016, both in absolute dollars and as a percentage of net revenues, when compared to 2015 as a result of our plan to increase personnel in 2016 as we continue to invest in our business. Personnel costs for employees include salaries and amounts earned under variable compensation plans, payroll taxes, benefits, stock-based compensation expense, costs associated with recruiting new employees, travel costs and other employee-related costs.

Cost of Net Revenues

Our cost of net revenues consists of direct and indirect costs incurred to generate net revenues. These costs consist primarily of personnel costs of our merchandising, site operations and website technical support employees; fees paid to third-party contractors engaged in the operation and maintenance of our websites and mobile applications; depreciation; and website hosting and Internet service costs. We expect our cost of net revenues to increase in both absolute dollars and as a percentage of net revenues in 2016 as we continue to build our infrastructure to support our business across multiple markets, endeavor to improve offer diversity and quality and increase the number and amount of consumer purchases resulting from visits to our websites and from use of our mobile applications.

Product Development

Our product development expense consists primarily of personnel costs of our product management and software engineering teams, as well as fees paid to third-party contractors and consultants engaged in the design, development, testing and improvement of the functionality and user experience of our websites and mobile applications. We intend to continue to increase our software engineering resources over the next year by hiring additional personnel to develop new features and products for our websites and mobile applications. We expect these additional investments to cause our product development expense to increase both in absolute dollars and as a percentage of net revenues in 2016.

Sales and Marketing

Our sales and marketing expense consists primarily of personnel costs of our sales, marketing, SEO and business analytics employees, as well as online and other advertising expenditures, branding programs and other marketing expenses. Our advertising, branding programs and other marketing costs include paid search advertising fees, online display advertising, including on social networking sites, television advertising, creative development fees, public relations, email campaigns, trade show costs, sweepstakes and promotions and other general marketing costs. We intend to increase our sales and marketing efforts in 2016 to drive consumer traffic to our websites, encourage downloads of our mobile applications, strengthen our relationships with retailers and increase overall awareness of our brand. Therefore, we expect our sales and marketing expenses to increase both in absolute dollars and as a percentage of net revenues in 2016.

General and Administrative

Our general and administrative expense consists primarily of the personnel costs of our general corporate functions, including executive, finance, accounting, legal and human resources. Other costs included in general and administrative include professional fees for legal, audit and other consulting services, travel and entertainment, charitable contributions, provision for doubtful accounts receivable and other general corporate overhead expenses. We expect our general and administrative expenses to decrease both in absolute dollars and as a percentage of net revenues in 2016.

Amortization of Purchased Intangibles

We have recorded identifiable intangible assets in conjunction with our various acquisitions, and are amortizing those assets over their estimated useful lives. We perform impairment testing of goodwill annually on October 1 of each year and, in the case of intangibles with definite lives, whenever events or circumstances indicate that impairment may have occurred. We expect our amortization expenses to decline in absolute dollars and as a percentage of net revenues in 2016. However, changes in our amortization expenses will depend upon the level of our future acquisition activity.

Other Operating Expenses

Other operating expenses for 2015 consist primarily of amortization expense related to deferred compensation agreements with the selling stockholders of YSL Ventures, Inc. and expense recognized as a result of the identified impairment of purchased intangible assets associated with Bons-de-Reduction.com.

In 2013, we acquired YSL Ventures, Inc. and entered into $6.2 million in deferred compensation agreements with the selling stockholders of the business, $3.1 million of which was paid in October 2014 and the remaining $3.1 million of which was paid in equal quarterly installments over the following year, concluding in October 2015. The deferred compensation was due and payable contingent upon the continued employment of the selling stockholders and as a result we amortized the associated expense over the term of the compensation arrangement with the sellers.

In October 2015, we decided to no longer support the Bons-de-Reduction.com brand. We have redirected traffic from Bons-de-Reduction.com to Poulpeo.com, and do not expect Bons-de-Reduction.com to provide additional income. As a result, we determined that a complete impairment of the remaining unamortized intangible assets associated with Bons-de-Reduction was warranted, resulting in an impairment charge of $2.3 million.

Other operating expenses for 2014 and 2013 consist primarily of amortization expense related to deferred compensation agreements with the selling stockholders of YSL Ventures, Inc. and Bons-de-Reduction.com and Poulpeo.com. In 2012, we acquired Bons-de-Reduction.com and Poulpeo.com and issued $3.5 million in seller notes to the selling stockholders of the business. These seller notes were due and payable contingent upon the continued employment of the selling stockholders and as a result have been recorded as deferred compensation, which we amortized over the term of the compensation arrangement with the sellers, which was completed in May 2014.

We expect other operating expenses to decrease in absolute dollars and as a percentage of net revenues in 2016 as a result of the completion during 2015 of our deferred compensation agreement with the selling stockholders of YSL Ventures, Inc.

Other Income (Expense)

Amounts included in other income (expense) include interest income earned on our available cash and cash equivalents, interest expense incurred in connection with our long term debt and the amortization of deferred financing costs. We also include in other income (expense), net foreign currency exchange gains and losses, as well as gains and losses related to our

foreign exchange derivative instruments. Changes in these amounts will depend to some extent upon the level of our future borrowing activity and movements in foreign currency.

Income Tax Expense

Our effective tax rate is affected by recurring items, such as tax rates in foreign jurisdictions and the relative amount of income we earn in those jurisdictions, tax credits, state taxes and non-deductible expenses, such as deferred compensation, acquisition costs and stock-based compensation. Our mix of foreign versus U.S. income, our ability to generate tax credits and our incurrence of any non-deductible expenses will likely cause our effective tax rate to fluctuate in the future. Our effective tax rate is also affected by discrete items that may occur in any given year, but are not consistent from year to year. Additionally, our effective tax rate can be more or less volatile based on the amount of pre-tax income or loss. For example, the impact of discrete items and non-deductible expenses on our effective tax rate is greater when our pre-tax income is lower.

During the first quarter of 2014, we implemented a global corporate restructuring plan involving our non-U.S. entities to streamline our non-U.S. operations. The impact of this restructuring has resulted in, and may continue to result in, volatility in our provision for income taxes and our effective tax rate.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in conformity with GAAP requires estimates, judgments and assumptions that affect the reported amounts and classifications of assets and liabilities, net revenues and expenses and the related disclosures of contingent liabilities in our consolidated financial statements and accompanying notes. The SEC has defined a company’s critical accounting policies as the ones that are most important to the portrayal of the company’s financial condition and results of operations, and which require the company to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, we have identified the following critical accounting policies and estimates addressed below.

We also have other key accounting policies, which involve the use of estimates, judgments, and assumptions that are significant to understanding our results. See Note 2 “Summary of Significant Accounting Policies” of Part II, Item 8: “Financial Statements.” Of those policies, we believe that the accounting policies discussed below involve the greatest degree of complexity and exercise of judgment by our management. We evaluate our estimates, judgments and assumptions on an ongoing basis, and while we believe that our estimates, judgments and assumptions are reasonable, they are based upon information available at the time. Actual results may differ significantly from these estimates under different assumptions, judgments or conditions.

Business Combinations and the Recoverability of Goodwill and Long-Lived Intangible Assets

A significant component of our growth strategy has been to acquire and integrate businesses that complement our existing operations. Though we did not acquire any businesses during 2015, we expect to do so in the future. We account for business combinations using the purchase method of accounting and allocate the purchase price of each acquired business to the tangible and intangible assets acquired and liabilities assumed based upon their estimated fair value at the purchase date. The difference between the purchase price and the fair value of the net assets acquired is recorded as goodwill.

In determining the fair value of assets acquired and liabilities assumed in a business combination, we use recognized valuation methods, including the income approach, market approach and cost approach, and apply present value modeling. Our significant estimates in the income, market or cost approach include identifying business factors such as size, growth, profitability, risk and return on investment and assessing comparable net revenues and operating income multiples in estimating the fair value. We also make certain assumptions specific to present value modeling valuation techniques which include risk-adjusted discount rates, future commission rates, rates of increase in operating expenses, weighted-average cost of capital, long-term growth rate assumptions and the future effective income tax rates.

Most of the businesses we have acquired did not have a significant amount of tangible assets. As a result, our acquisitions have resulted in the majority of the purchase price being allocated to identifiable intangible assets and goodwill. The long-lived intangible assets we have identified in each acquisition include customer relationships and marketing-related, contract-related and technology-based intangible assets. All of our long-lived intangible assets have a definite life that ranges from one year to 15 years, which we have determined reflects our best estimate of the pattern in which the economic benefit of the related intangible asset will be utilized.

The valuations of our acquired businesses have been performed by valuation specialists under our management's supervision. We believe that the estimated fair value assigned to the assets acquired and liabilities assumed are based on reasonable assumptions and estimates that marketplace participants would use. However, such assumptions are inherently uncertain and actual results could differ from those estimates. Future changes in our assumptions or the interrelationship of those assumptions may negatively impact future valuations. In future measurements of fair value, adverse changes in discounted cash flow assumptions could result in an impairment of goodwill or intangible assets that would require a non-cash charge to the consolidated statements of operations and may have a material effect on our financial condition and operating results.

We perform our annual impairment testing of goodwill as of October 1 of each year, and whenever events or circumstances indicate that impairment may have occurred. Events or circumstances that could trigger an impairment review include, but are not limited to, a significant adverse change in legal factors or in the business climate, an adverse action or assessment by a regulator, significant changes in competition, a loss of key personnel, significant changes in our use of the acquired assets or the strategy for our overall business, significant negative industry or economic trends, or significant underperformance relative to expected historical or projected future results of operations.

We evaluate the recoverability of goodwill using a two-step impairment process tested at the reporting segment level. In the first step, the fair value for our reporting unit is compared to our book value including goodwill. For purposes of performing the required impairment test, we derive enterprise fair value utilizing the market capitalization approach, whereby the market value of our outstanding shares of common stock are utilized to calculate the fair value of our sole reporting unit. In the case that the fair value is less than the book value, a second step is performed that compares the implied fair value of goodwill to the book value of the goodwill. The fair value for the implied goodwill is determined based on the difference between the fair value of the sole reporting segment and the net fair value of the identifiable assets and liabilities excluding goodwill. If the implied fair value of the goodwill is less than the book value, the difference is recognized as an impairment charge in the consolidated statements of operations.

Long-lived assets, including intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When such events occur, we compare the carrying amounts of the assets to their undiscounted expected future cash flows. If this comparison indicates that there is impairment, the amount of the impairment is calculated as the difference between the carrying value and fair value.

Revenue Recognition

We recognize revenue when persuasive evidence of an arrangement exists, services have been rendered, the fee to our customers is fixed or determinable and collectability of the resulting receivable is reasonably assured. For commission revenues, which represent the substantial majority of our net revenues, revenue recognition generally occurs when a consumer, having visited one of our websites and clicked on a digital offer for a paid retailer, makes a purchase with such paid retailer, and completion of the order is reported to us by such paid retailer, either directly or through a performance marketing network. Certain paid retailers do not provide reporting until a cash payment is made. In those cases, which have historically not been significant, we record commission revenues on a cash basis. For advertising revenues, revenue recognition occurs over the period that we display a retailer's advertisements on our websites and mobile applications.

Multiple Element Arrangements. When we enter into revenue arrangements with customers that are comprised of multiple deliverables, we allocate consideration to all deliverables based on the relative selling price method in accordance with the selling price hierarchy. The objective of the hierarchy is to determine the price at which we would transact a sale if the service were sold on a stand-alone basis and requires the use of: (1) vendor-specific objective evidence, or VSOE, if available; (2) third-party evidence, or TPE, if VSOE is not available; and (3) best estimate of selling price, or BESP, if neither VSOE nor TPE is available.

VSOE. We determine VSOE based on our historical pricing and discounting practices for the specific service when sold separately. In determining VSOE, we require that a substantial majority of the stand-alone selling prices for these services fall within a reasonably narrow pricing range. We have not historically sold our services within a reasonably narrow pricing range. As a result, we have not been able to establish VSOE.

TPE. When VSOE cannot be established for deliverables in multiple element arrangements, we apply judgment with respect to whether we can establish a selling price based on TPE. TPE is determined based on competitor prices for similar deliverables when sold separately. Generally, our go-to-market strategy differs from that of our peers and our offerings contain a significant level of differentiation such that the comparable pricing of services cannot be obtained. Furthermore, we are unable to reliably determine what similar competitor services' selling prices are on a stand-alone basis. As a result, we have not been able to establish selling price based on TPE.

BESP. When we are unable to establish selling price using VSOE or TPE, we use BESP in our allocation of arrangement consideration. The objective of BESP is to determine the price at which we would transact a sale if the service were sold on a stand-alone basis. BESP is generally used to allocate the selling price to deliverables in our multiple element arrangements. We determine BESP for deliverables by considering multiple factors including, but not limited to, prices we charge for similar offerings, market conditions, competitive landscape and pricing practices. We limit the amount of allocable arrangement consideration to amounts that are fixed or determinable and that are not contingent on future performance or future deliverables.

If the facts and circumstances underlying the factors we considered change or should future facts and circumstances lead us to consider additional factors, both our determination of our relative selling price under the hierarchy and our BESPs could change in future periods.

We estimate and record a reserve based upon actual, historical return rates as reported to us by paid retailers to provide for end-user cancelations or product returns, which may not be reported by the paid retailer or performance marketing network until a subsequent date. As such, we report commission revenues net of the estimated returns reserve. Net revenues are reported net of sales taxes, where applicable.

Income Taxes

We are subject to income taxes in both the U.S. and foreign jurisdictions. Significant judgment is required in evaluating our tax positions and determining our provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. For example, our effective tax rate could be affected by differences between our anticipated and the actual mix of earnings generated across different tax jurisdictions which have higher or lower statutory tax rates, by changes in the valuation of our deferred tax assets and liabilities, by changes in foreign currency exchange rates or by changes in the relevant tax, accounting and other laws, regulations, principles and interpretations.

We account for income taxes using the asset and liability method, under which deferred income tax assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying values of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed or settled. We regularly review deferred tax assets to assess their potential realization and establish a valuation allowance for portions of such assets to reduce the carrying value if we do not consider it to be more likely than not that the deferred tax assets will be realized. Any change in the valuation allowance would be charged to income in the period such determination was made. We recognize a tax benefit from an uncertain tax position in the financial statements only when it is more likely than not that the position will be sustained.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across our global operations. ASC 740 states that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of the technical merits.

We record unrecognized tax benefits as liabilities in accordance with ASC 740 and adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the unrecognized tax benefit liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which new information is available.

We are subject to audit in various jurisdictions, and such jurisdictions may assess additional income taxes against us. Although we believe our tax estimates are reasonable, the final determination of any tax audits and any related litigation could be materially different from historical income tax provisions and accruals. The results of an audit or litigation could have a material effect on our operating results or cash flows in the period or periods for which that determination is made.

We consider the earnings of certain non-U.S. subsidiaries to be indefinitely invested outside the United States on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash needs and our specific plans for reinvestment of those subsidiary earnings. We have not recorded a deferred tax liability related to the U.S. federal and state income taxes and foreign withholding taxes of our undistributed earnings of foreign subsidiaries indefinitely invested outside the U.S. Should we decide to repatriate our foreign earnings, we would need to adjust our income tax provision in the period we determined that those earnings would no longer be indefinitely invested outside the U.S.

Stock-Based Compensation

We measure stock-based compensation expense at fair value and generally recognize the corresponding compensation expense, net of estimated forfeitures, on a straight-line basis over the service period during which awards are expected to vest. Forfeiture rates are estimated periodically based on historical experience and adjusted in subsequent periods for differences in actual forfeitures from those estimates.

We use the Black-Scholes-Merton option-pricing model to determine the fair value of stock options. The determination of the grant date fair value of options using an option-pricing model is affected by our estimates of a number of complex and subjective variables. These variables include:

- *Fair Value of Our Common Stock*. Because our stock was not publicly traded prior to our offering in July 2013, the fair value of our common stock underlying our stock options was previously determined by our board of directors, which intended all options to be exercisable at a price per share not less than the per share value of our common stock underlying those options on the date of grant. Following the completion of our initial public offering our common stock is being valued by reference to its publicly traded price.
- *Expected Term.* The expected term represents the period of time the stock options are expected to be outstanding and is based on the "simplified method" allowed under applicable SEC guidance. We used the "simplified method" due to the lack of sufficient historical exercise data to provide a reasonable basis upon which to otherwise estimate the expected life of the stock options.
- *Expected Volatility.* Since we do not have a significant trading history for our Series 1 common stock, the expected stock price volatility was estimated by taking the average historical price volatility for publicly-traded stock of comparable industry peers similar in size, stage of life cycle and financial leverage, based on daily price observations over a period equivalent to the expected term of the stock option grants. We did not rely on implied volatilities of traded options in our industry peers' common stock because the volume of activity was relatively low. We intend to continue to consistently apply this process using the same or similar public companies until a sufficient amount of historical information regarding the volatility of our Series 1 common stock share price becomes available, or unless circumstances change such that the identified companies are no longer similar to us, in which case more suitable companies whose share prices are publicly available would be utilized in the calculation.
- *Dividend Yield.* We do not presently plan to pay cash dividends on our Series 1 common stock in the foreseeable future. Consequently, we used an expected dividend yield of zero.
- *Risk-free Interest Rate.* The risk-free interest rate is based on the yields of U.S. Treasury securities with maturities similar to the expected term of the options for each option group.

The fair value of restricted stock units, or RSUs, equals their intrinsic value on the date of grant.

Results of Operations

The following table presents our historical operating results for the periods indicated. The period-to-period comparisons of financial results are not necessarily indicative of future results.

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
Consolidated Statements of Operations Data:			
Net revenues	$ 249,115	$ 264,683	$ 209,836
Costs and expenses:			
Cost of net revenues	19,904	18,617	13,049
Product development	51,580	47,882	30,566
Sales and marketing	99,380	90,062	70,303
General and administrative	39,813	42,343	28,583
Amortization of purchased intangible assets	10,664	12,243	12,081
Other operating expenses	4,616	4,065	2,525
Total costs and expenses	225,957	215,212	157,107
Income from operations	23,158	49,471	52,729
Other income (expense):			
Interest expense, net	(1,988)	(1,981)	(2,980)
Other income (expense), net	(315)	(1,102)	672
Income before income taxes	20,855	46,388	50,421
Provision for income taxes	(9,007)	(19,423)	(18,891)
Net income	$ 11,848	$ 26,965	$ 31,530

	Year Ended December 31,		
	2015	2014	2013
Consolidated Statements of Operations Data as Percentage of Net Revenues:			
Net revenues	100.0 %	100.0 %	100.0 %
Costs and expenses:			
Cost of net revenues	8.0	7.0	6.2
Product development	20.7	18.1	14.6
Sales and marketing	39.9	34.0	33.5
General and administrative	16.0	16.0	13.6
Amortization of purchased intangible assets	4.3	4.6	5.8
Other operating expenses	1.9	1.6	1.2
Total costs and expenses	90.7	81.3	74.9
Income from operations	9.3	18.7	25.1
Other income (expense):			
Interest expense, net	(0.8)	(0.7)	(1.4)
Other income (expense), net	(0.1)	(0.5)	0.3
Income before income taxes	8.4	17.5	24.0
Provision for income taxes	(3.6)	(7.3)	(9.0)
Net income	4.8 %	10.2 %	15.0 %

Net Revenues

	Year Ended December 31,		
	2015	2014	2013
	(dollars in thousands)		
Net Revenues by Source:			
Desktop online transactions	$ 173,922	$ 219,593	$ 190,861
Mobile online transactions	24,406	15,686	6,010
Online transactions	198,328	235,279	196,871
Advertising and in-store	50,787	29,404	12,965
Total net revenues	$ 249,115	$ 264,683	$ 209,836
Percentage of Net Revenues by Source:			
Desktop online transactions	69.8%	83.0%	91.0%
Mobile online transactions	9.8	5.9	2.8
Online transactions	79.6	88.9	93.8
Advertising and in-store	20.4	11.1	6.2
Total percentage of net revenues	100.0%	100.0%	100.0%
Net Revenues by Geography:			
U.S.	$ 195,788	$ 206,865	$ 166,532
International	53,327	57,818	43,304
Total net revenues	$ 249,115	$ 264,683	$ 209,836
Percentage of Net Revenues by Geography:			
U.S.	78.6%	78.2%	79.4%
International	21.4	21.8	20.6
Total percentage of net revenues	100.0%	100.0%	100.0%

2015 compared to 2014. Net revenues decreased by $15.6 million, or 5.9%, for the year ended December 31, 2015 compared to the year ended December 31, 2014.

The overall decrease in net revenues was driven by a $45.7 million, or 20.8%, decrease in desktop online transaction net revenues, partially offset by a $8.7 million, or 55.6%, increase in mobile online transaction net revenues and a $21.4 million, or 72.7%, increase in our advertising and in-store net revenues. The decrease in our desktop online transaction net revenues was primarily caused by a 15.8% decrease in the total volume of visits to our desktop websites and was further driven by deterioration in the average commission rate paid to us. The growth in our mobile online transaction net revenues was primarily driven by a 50.8% increase in visits to our mobile websites, as well as improved monetization driven by an increase in the percentage of visits, including the incremental visits in the period, that resulted in a paid transaction. The growth in our advertising and in-store net revenues was primarily due to the expansion and efforts of our direct sales force as well as improvements to the usability and functionality enhancements of our in-store product.

2014 compared to 2013. Net revenues increased by $54.8 million, or 26.1%, for the year ended December 31, 2014 compared to the year ended December 31, 2013.

The overall increase in net revenues was driven by a $28.7 million, or 15.1%, increase in desktop online transaction net revenues, as well as an $9.7 million, or 161.0%, increase in mobile online transaction net revenues and a $16.4 million, or 126.8%, increase in our advertising and in-store net revenues. The increase in our desktop online transaction net revenues was primarily caused by an 8.6% increase in the total volume of visits to our desktop websites, as well as improved monetization driven by an increase in the percentage of visits that resulted in a paid transaction. The growth in our mobile online transaction net revenues was primarily driven by a 96.4% increase in visits to our mobile websites, as well as improved monetization driven by an increase in the percentage of visits, including the incremental visits in the period, that resulted in a paid transaction. The growth in our advertising and in-store net revenues was primarily due to the expansion and efforts of our direct sales force as well as improvements to the usability and functionality enhancements of our in-store product.

Cost of Net Revenues

	Year Ended December 31,		
	2015	2014	2013
	(dollars in thousands)		
Cost of net revenues	$ 19,904	$ 18,617	$ 13,049
Percentage of net revenues	8.0%	7.0%	6.2%

2015 compared to 2014. For the year ended December 31, 2015, cost of net revenues increased by $1.3 million, or 6.9%, compared to the year ended December 31, 2014. This increase was largely attributable to a $0.4 million increase in personnel costs and a $0.4 million increase in website operating costs. We increased website operating costs to expand capacity and improve the performance and scalability of our websites and mobile applications.

2014 compared to 2013. For the year ended December 31, 2014, cost of net revenues increased by $5.6 million, or 42.7%, compared to the year ended December 31, 2013. This increase was largely attributable to a $3.5 million increase in personnel costs. The increase in personnel costs led to an increase in allocated facility and information technology costs of $0.8 million. We increased website operating costs by $0.9 million to expand capacity and improve the performance and scalability of our websites and mobile applications.

Product Development

	Year Ended December 31,		
	2015	2014	2013
	(dollars in thousands)		
Product development	$ 51,580	$ 47,882	$ 30,566
Percentage of net revenues	20.7%	18.1%	14.6%

2015 compared to 2014. For the year ended December 31, 2015, product development expense increased by $3.7 million, or 7.7%, compared to the year ended December 31, 2014. This increase was primarily attributable to a $3.9 million increase in personnel costs. We increased personnel in order to enhance the functionality of, and develop new features and products for, our websites and mobile applications, and to strengthen our reporting and analytics capabilities. Additionally, fees for third-party data storage and hosting services increased by $2.2 million. These increases were partially offset by an increase of $2.6 million in the amount of internally developed software and website development costs capitalized, net of depreciation expense recognized during the period, in 2015 as compared to 2014. The capitalized costs relate primarily to infrastructure development to enhance our advertising and in-store products, personalization capabilities and content quality and delivery capabilities.

2014 compared to 2013. For the year ended December 31, 2014, product development expense increased by $17.3 million, or 56.7%, compared to the year ended December 31, 2013. This increase was primarily attributable to a $14.7 million increase in personnel costs. The increase in personnel costs also led to an increase in allocated facilities and IT support costs of $1.6 million. We increased personnel in order to enhance the functionality of, and develop new features and products for, our websites and mobile applications, and to strengthen our reporting and analytics capabilities. Additionally, fees for usability studies and technology licenses used in the design and development of our websites increased by $3.4 million. These increases were partially offset by the capitalization of $2.6 million of internally developed software and website development costs related primarily to infrastructure development to enhance our in-store and advertising products, personalization capabilities and content quality and delivery capabilities.

Sales and Marketing

	Year Ended December 31,		
	2015	2014	2013
	(dollars in thousands)		
Sales and marketing	$ 99,380	$ 90,062	$ 70,303
Percentage of net revenues	39.9%	34.0%	33.5%

2015 compared to 2014. For the year ended December 31, 2015, sales and marketing expense increased by $9.3 million, or 10.3%, compared to the year ended December 31, 2014. This increase was primarily attributable to a $6.2 million increase in personnel costs. We increased personnel in order to continue the expansion of our sales teams to support our business and to further strengthen relationships with leading retailers. Online, brand and other marketing expenses increased by $3.9 million. This increase was primarily attributable to online advertising for brand building, contextual advertising placements and user acquisition efforts. These increases were offset by a $1.1 million decrease in paid search expenses.

2014 compared to 2013. For the year ended December 31, 2014, sales and marketing expense increased by $19.8 million, or 28.1%, compared to the year ended December 31, 2013. This increase was primarily attributable to an increase in advertising and personnel costs as we continue to build our brand, acquire new customers, increase consumer traffic to our websites and increase consumer downloads of our mobile applications in order to grow our business. Online, brand and other marketing expenses increased by $5.2 million. This increase was primarily attributable to public relations and offline and online advertising for brand building, contextual advertising placements and user acquisition efforts. We also incurred an increase of $3.4 million in paid search expenses. In addition, personnel costs increased by $11.1 million. We increased personnel in order to continue the expansion of our sales teams to support our growing business and to further strengthen relationships with leading retailers. We also added personnel to support the marketing initiatives described above and to expand our email marketing, social media and other consumer acquisition initiatives.

General and Administrative

	Year Ended December 31,		
	2015	2014	2013
	(dollars in thousands)		
General and administrative	$ 39,813	$ 42,343	$ 28,583
Percentage of net revenues	16.0%	16.0%	13.6%

2015 compared to 2014. For the year ended December 31, 2015, general and administrative expense decreased by $2.5 million, or 6.0%, compared to the year ended December 31, 2014. This decrease was primarily attributable to a $2.5 million decrease in our provision for doubtful accounts receivable.

2014 compared to 2013. For the year ended December 31, 2014, general and administrative expense increased by $13.8 million, or 48.1%, compared to the year ended December 31, 2013. This increase was primarily attributable to an $8.2 million increase in personnel costs. We added personnel to further build-out our human resources function, to increase our business development efforts and to add resources in the finance and legal functions to operate as a public company. We also incurred an increase in our provision for doubtful accounts receivable of $3.2 million, of which $1.1 million is related to aged accounts identified in the transition to our new transaction reporting system.

Amortization of Purchased Intangible Assets

	Year Ended December 31,		
	2015	2014	2013
	(dollars in thousands)		
Amortization of purchased intangible assets	$ 10,664	$ 12,243	$ 12,081
Percentage of net revenues	4.3%	4.6%	5.8%

2015 compared to 2014. For the year ended December 31, 2015, amortization of purchased intangible assets decreased by $1.6 million, or 12.9%, compared to the year ended December 31, 2014. The decrease in amortization expense was due to the expiration of the useful life of certain of the purchased intangible assets as part of our acquisition of the businesses of Actiepagina.nl in March 2013, Ma-Reduc.com in July 2013 and YSL Ventures, Inc. in October 2013.

2014 compared to 2013. For the year ended December 31, 2014, amortization of purchased intangible assets increased by $0.2 million, or 1.3%, compared to the year ended December 31, 2013. The increase in amortization expense was primarily the result of the recognition of amortization expense associated with the addition of purchased intangible assets as part of our acquisitions of the businesses of Actiepagina.nl in March 2013, Ma-Reduc.com in July 2013 and YSL Ventures, Inc. in October 2013. The increases were partially offset by the expiration of the useful life of certain of the purchased intangible assets as part of our acquisition of the businesses of Bons-de-Reduction.com and Poulpeo.com in May 2012.

Other Operating Expenses

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
Impairment of purchased intangible assets	$ 2,340	$ —	$ —
Deferred compensation	2,297	3,978	2,527
Assets disposal (gain) or loss	(21)	87	(2)
Total other operating expenses	$ 4,616	$ 4,065	$ 2,525

2015 compared to 2014. During the years ended December 31, 2015 and 2014, we recognized $2.3 million and $4.0 million, respectively, in deferred compensation charges for our October 2013 acquisition of the business of YSL Ventures, Inc. and our May 2012 acquisition of the businesses of Bons-de-Reduction.com and Poulpeo.com. Our obligations to pay the outstanding amounts under these deferred compensation arrangements were contingent upon the continued employment of the selling stockholders and, as a result, have been recorded as deferred compensation, which we amortized over the term of the compensation arrangements with the sellers. The decrease in deferred compensation expense is due primarily to the May 2014 completion of our deferred compensation agreement with the selling stockholders of Bons-de-Reduction.com and Poulpeo.com and the October 2015 completion of our deferred compensation agreement with the selling stockholders of YSL Ventures, Inc.

In October 2015, we decided to no longer support the Bons-de-Reduction.com brand, and we have redirected traffic from Bons-de-Reduction.com to Poulpeo.com. As a result of this impairment indicator, we determined that a complete impairment of the remaining unamortized intangible assets related to Bons-de-Reduction.com was warranted, resulting in an impairment charge of $2.3 million. We did not record any intangible asset impairment charges during the years ended December 31, 2014 and 2013.

2014 compared to 2013. During the years ended December 31, 2014 and 2013, we recognized $4.0 million and $2.5 million, respectively, in deferred compensation charges for our October 2013 acquisition of the business of YSL Ventures, Inc. and our May 2012 acquisition of the businesses of Bons-de-Reduction.com and Poulpeo.com. Our obligations to pay the outstanding amounts under these deferred compensation arrangements are contingent upon the continued employment of the selling stockholders and, as a result, have been recorded as deferred compensation, which we amortize over the term of the compensation arrangements with the sellers.

Other Income (Expense)

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
Interest expense, net	$ (1,988)	$ (1,981)	$ (2,980)
Other income (expense), net	(315)	(1,102)	672

2015 compared to 2014. Interest expense, net, remained relatively constant for the year ended December 31, 2015, as compared to the year ended December 31, 2014. The effect on interest expense, net, of an increase in average outstanding principal on our senior debt facility was offset by lower average interest rates on our outstanding debt, due to the repayment during 2014 of seller notes we issued in connection with our acquisitions of businesses.

The decrease in other expense, net is due to a decrease in our net foreign currency exchange loss from $0.9 million in 2014 to $0.4 million in 2015. Our net foreign currency exchange losses in 2015 and 2014 include the offsetting impact of a gain of $0.8 million and $0.2 million, respectively, related to our foreign exchange derivative instruments.

2014 compared to 2013. The decrease in interest expense, net, for the year ended December 31, 2014 is primarily the result of the repayment of seller notes we issued in connection with our acquisitions of businesses. The change in other income (expense), net is due to incurring a net foreign currency exchange loss of $0.9 million in 2014 as compared to a net foreign currency exchange gain of $0.7 million in 2013. Our net foreign currency exchange loss in 2014 includes the offsetting impact of a gain of $0.2 million related to our foreign exchange derivative instruments. We did not enter into any foreign exchange derivative instruments prior to the year ended December 31, 2014.

Income Taxes

	Year Ended December 31,		
	2015	2014	2013
	(dollars in thousands)		
Provision for income taxes	$ (9,007)	$ (19,423)	$ (18,891)
Percentage of net revenues	(3.6)%	(7.3)%	(9.0)%
Effective tax rate	43.2 %	41.9 %	37.5 %

2015 compared to 2014. Our income tax expense for the year ended December 31, 2015 was $9.0 million, or a decrease of 53.6%, compared to income tax expense of $19.4 million for the year ended December 31, 2014. Our effective tax rate was 43.2% and 41.9% during the year ended December 31, 2015 and 2014, respectively. As of December 31, 2015, our effective tax rate differed from the statutory rate primarily due to non-deductible stock-based compensation charges, non-deductible deferred compensation expenses and state income taxes and tax charges associated with the implementation of our global corporate restructuring plan, which were partially offset by the effect of different statutory tax rates in foreign jurisdictions, tax credits and the benefit of disqualifying dispositions of incentive stock options. As of December 31, 2014, our effective tax rate differed from the statutory rate primarily due to tax charges associated with the implementation of our global corporate restructuring plan in the first fiscal quarter of 2014, non-deductible stock-based compensation charges, non-deductible deferred compensation expenses and state income taxes, which were partially offset by the effect of different statutory tax rates in foreign jurisdictions, tax credits and the benefit of disqualifying dispositions of incentive stock options.

2014 compared to 2013. Our income tax expense for the year ended December 31, 2014 was $19.4 million, or an increase of 2.8%, compared to income tax expense of $18.9 million for the year ended December 31, 2013. Our effective tax rate was 41.9% and 37.5% during the year ended December 31, 2014 and 2013, respectively. As of December 31, 2014, our effective tax rate differed from the statutory rate primarily due to tax charges associated with the implementation of our global corporate restructuring plan in the first fiscal quarter of 2014, non-deductible stock-based compensation charges, non-deductible deferred compensation expenses and state income taxes, which were partially offset by the effect of different statutory tax rates in foreign jurisdictions, tax credits and the benefit of disqualifying dispositions of incentive stock options. As of December 31, 2013, our effective tax rate differed from the statutory rate primarily due to non-deductible, stock-based compensation charges, non-deductible deferred compensation expense and state taxes, which were partially offset by the effect of different statutory tax rates in foreign jurisdictions and tax credits.

Seasonality and Quarterly Results

Our overall operating results fluctuate from quarter to quarter as a result of a variety of factors, including seasonal factors and economic cycles that influence consumer purchasing of retail products. Historically, we have experienced the highest levels of visitors to our websites and mobile applications and net revenues in the fourth quarter of the year, which coincides with the winter holiday season in the U.S. and Europe. During the fourth quarter of 2015, we generated net revenues of $83.1 million which represented 33.4% of our net revenues for 2015. This seasonality may not be fully evident in our historical business performance because of our significant growth in prior years and the timing of our acquisitions. For instance, we have entered new markets through international acquisitions and increased the number of paid retailer and performance marketing network relationships. These changes have contributed to the substantial growth in our net revenues and corresponding increases in our operating costs and expenses to support our growth. Further, net revenues from our advertising and in-store products are even more heavily weighted to the fourth quarter of the year. As net revenues from this part of our business grow as a percentage of overall net revenues, for example to 20.4% from 11.1% of overall net revenues for 2015 and 2014, respectively, our seasonality may increase.

Our investments have led to uneven quarterly operating results due to increases in personnel costs, product and technology enhancements and the impact of our acquisitions and other strategic projects. The return on these investments is generally achieved in future periods and, as a result, these investments can adversely impact near term results.

Our business is directly affected by the behavior of consumers. Economic conditions and competitive pressures can impact, both positively and negatively, the types of digital offers featured on our websites and mobile applications and the rates at which consumers utilize them. Consequently, the results of any prior quarterly or annual periods should not be relied upon as indications of our future operating performance.

Liquidity and Capital Resources

Since our inception, we have funded our operations and acquisitions primarily through private placements of our preferred stock, the issuance of equity securities through our initial public offering and follow-on offering, bank borrowings and cash flows from operations. We generated positive cash flow from operations for the years ended December 31, 2015, 2014 and 2013. As of December 31, 2015, we had $259.8 million in cash and cash equivalents, compared to $244.5 million at December 31, 2014. At December 31, 2015, certain of our foreign subsidiaries held approximately $16.1 million of our cash and cash equivalents. If these assets were distributed to the U.S., we might be subject to additional U.S. taxes in certain circumstances, subject to an adjustment for foreign tax credits, and foreign withholding taxes. We have not provided for these taxes because we consider these assets to be permanently reinvested in our foreign subsidiaries. We have no plans or intentions to repatriate cumulative earnings of our foreign subsidiaries through December 31, 2015.

The following table summarizes our cash flows for the periods indicated:

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
Net cash provided by operating activities	$ 60,489	$ 61,395	$ 31,530
Net cash used in investing activities	(19,217)	(13,049)	(36,896)
Net cash provided by (used in) financing activities	(24,890)	31,444	73,704
Effects of foreign currency exchange rate on cash	(1,095)	(1,189)	401
Net change in cash and cash equivalents	15,287	78,601	68,739
Cash and cash equivalents at beginning of the year	244,482	165,881	97,142
Cash and cash equivalents at end of the year	$ 259,769	$ 244,482	$ 165,881

Net Cash Provided by Operating Activities

Cash provided by operating activities primarily consists of our net income adjusted for certain non-cash items and the effect of changes in operating assets and liabilities. Net cash provided by operating activities was $60.5 million, $61.4 million and $31.5 million during the years ended December 31, 2015, 2014 and 2013, respectively.

During 2015, cash flows from operating activities were primarily generated through net income of $11.8 million, including the impact of depreciation and amortization expense of $17.1 million, stock-based compensation expense of $26.9 million, intangible asset impairment expense of $2.3 million and the amortization of deferred compensation of $2.3 million.

During 2014, cash flows from operating activities were primarily generated through net income of $27.0 million, including the impact of depreciation and amortization expense of $15.7 million, stock-based compensation expense of $24.5 million and the amortization of deferred compensation of $4.0 million, offset by excess income tax benefit from stock-based compensation and other costs of $12.2 million and a deferred income tax benefit of $4.2 million.

During 2013, cash flows from operating activities were primarily generated through net income of $31.5 million, including the impact of depreciation and amortization expense of $14.1 million and stock-based compensation expense of $10.5 million, offset by $23.6 million from changes in cash flows associated with operating assets and liabilities. The changes in cash flows associated with operating assets and liabilities were primarily driven by an increase in accounts receivable of $25.7 million due to our net revenues growth.

Net Cash Used in Investing Activities

Our primary investing activities for the periods presented consist of purchases of property and equipment and other assets, the purchase of a non-marketable investment and business acquisitions. Net cash used in investing activities was $19.2 million, $13.0 million and $36.9 million during the years ended December 31, 2015, 2014 and 2013, respectively.

During 2015, 2014 and 2013, we used $15.2 million, $13.0 million and $8.3 million, respectively, related to the purchase of computer equipment and software, office furniture and fixtures, leasehold improvements, certain capitalized internally developed software and website development costs and domain names. As we expand our business, we intend to purchase additional technology resources and invest in our operating facilities.

During 2015, we used $4.0 million to invest in a non-controlling minority ownership stake in a privately-held marketing technology company in the United States.

During 2013, we used $11.4 million to acquire the business of YSL Ventures, Inc., $15.3 million to acquire the business of Ma-Reduc.com and $1.9 million to acquire the business of Actiepagina.nl in 2013. We may have acquisitions in the future that could have a material impact on our cash flows and operations.

Net Cash Provided by (Used in) Financing Activities

Our primary financing activities for the periods presented consisted of net proceeds from the issuance of shares of our common stock, proceeds from and repayments of our long term debt, the repurchase of our Series 1 common stock and share based payment activity. Net cash used in financing activities was $24.9 million during the year ended December 31, 2015. Net cash provided by financing activities was $31.4 million and $73.7 million for the years ended December 31, 2014 and 2013, respectively.

During 2015, we borrowed $30.0 million under our revolving credit facility. We used $52.9 million of our cash to repurchase our Series 1 common stock. The remainder of our financing activities was primarily composed of proceeds from the issuance of common stock, net of shares withheld for taxes, of $4.2 million, the repayment of a $7.5 million portion of our senior debt and the excess income tax benefit from stock-based compensation and other costs of $1.4 million.

During 2014, we borrowed $49.2 million, net of issuance costs, in connection with the amendment of our senior debt, and used $41.3 million to repay a portion of our senior debt and certain seller notes payable. The remainder of our financing activities during the period was primarily composed of proceeds from the exercise of stock options by employees of $11.5 million and the excess income tax benefit from stock-based compensation and other costs of $12.2 million.

During 2013, we received approximately $49.1 million of net proceeds, after deducting underwriting discounts and commissions and offering expenses, from the sale of shares of our common stock by us in our follow-on public offering and we received $85.4 million of net proceeds, after deducting underwriting discounts and commissions and offering expenses, from the sale of shares of our Series 1 common stock by us in our initial public offering. With the proceeds to us of our initial public offering, we (i) paid in full accumulated dividends on our previously outstanding shares of preferred stock, which totaled approximately $52.5 million, and (ii) repaid the outstanding principal and accrued interest on seller notes issued in connection with our acquisition of eConversions Limited in 2012, which totaled approximately $6.6 million. We also paid approximately $6.1 million in deemed dividends to investors in exchange for voting in favor of the conversion of preferred stock to common stock in connection with our initial public offering. We borrowed $33.1 million, net of issuance costs, in connection with the

amendment of our senior debt, and used $32.9 million to repay portions of our senior debt and the seller notes issued in connection with our acquisition of the businesses of Bons-de-Reduction.com and Poulpeo.com during 2012.

Capital Resources

We believe that our existing cash, cash equivalents and cash generated from operations will be sufficient to satisfy our currently anticipated cash requirements through at least the next 12 months. As of December 31, 2015, we had $72.5 million in long-term debt outstanding, $10.0 million of which is classified as current maturities, and $95.0 million available for borrowing under our revolving credit facility. Our long-term debt and revolving credit facility are more fully described in Note 6 of the Notes to Consolidated Financial Statements under Part II, Item 8: "Financial Statements" of this Annual Report on Form 10-K.

Our future capital requirements will depend on many factors, including our rate of net revenues growth, the expansion of our marketing and sales initiatives, the timing and extent of spending to support product development efforts, the timing of introductions of new products and services and enhancements to existing products and services, potential acquisitions, repurchases of our common stock and the continuing market acceptance of our products and services. We may need to raise additional capital through future debt or equity financing to the extent necessary to fund such activities. Additional financing may not be available at all or on terms favorable to us. We may enter into arrangements in the future with respect to investments in, or acquisitions of, similar or complementary businesses, products, services or technologies, which could also require us to seek additional debt or equity financing.

In February 2015 our board of directors authorized the repurchase of up to $100 million worth of our Series 1 common stock over a period of up to 24 months. In February 2016, our board of directors authorized the repurchase of an additional $50 million worth of shares of our Series 1 common stock, increasing the total authorized amount under our share repurchase program to $150 million. We have funded, and plan on funding in the future, any purchases under this program from one or a combination of existing cash balances, future cash flow, availability under our revolving credit facility and additional debt financing. During the year ended December 31, 2015, we repurchased 4,323,000 shares of Series 1 common stock at an aggregate purchase price of $52.8 million. During the period between January 1, 2016 and February 5, 2016, we repurchased an additional 2,699,204 shares of Series 1 common stock at an aggregate purchase price of $23.7 million.

Contractual Obligations

The following table summarizes our future contractual obligations as of December 31, 2015:

	Payment Due By Period				
Contractual Obligations	**Total**	**Less Than 1 Year**	**1-3 Years**	**3-5 Years**	**More Than 5 Years**
	(in thousands)				
Debt obligations (including short-term debt) (1)	$ 72,500	$ 10,000	$ 20,000	$ 42,500	$ —
Operating lease obligations (2)	31,626	3,763	7,459	7,468	12,936
Purchase obligations (3)	9,458	8,824	556	78	—
Total	$ 113,584	$ 22,587	$ 28,015	$ 50,046	$ 12,936

(1) These amounts exclude estimated cash interest payments of approximately $2.2 million in 2016, $2.1 million in 2017, $1.9 million in 2018 and $2.0 million in 2019 (based on applicable interest rates as of December 31, 2015, in the case of variable interest rate debt).
(2) We lease our principal office facilities, including our headquarters in Austin, Texas, under non-cancellable operating leases. Certain leases contain periodic rent escalation adjustments and renewal and expansion options. We recognize rent expense on a straight-line basis over the lease periods. Operating lease obligations expire at various dates with the latest maturity in 2024. We are also responsible for certain real estate taxes, utilities, and maintenance costs on our office facilities.
(3) Purchase obligations primarily represent non-cancelable contractual obligations related to content licensing and technology agreements.

Off-Balance Sheet Arrangements

For the years ended December 31, 2015, 2014 and 2013, we did not, and we do not currently, have any off-balance sheet arrangements.

Recently Issued and Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board, or FASB, issued new guidance that superseded previously existing revenue recognition requirements. The guidance provides a five-step process to recognize revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration expected in exchange for those goods and services. The guidance requires disclosures enabling users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. On July 9, 2015, the FASB deferred the effective date by one year to December 15, 2017 for the first interim period within annual reporting periods beginning after that date, using either a full or modified retrospective application method. Early adoption of the standard is permitted, but not before the first interim period within annual reporting periods beginning after the original effective date of December 15, 2016. We are currently evaluating which of the two retrospective application methods we will use and the effect that the adoption of this guidance will have on our consolidated financial statements.

In April 2015, the FASB issued new guidance that amends the balance sheet presentation of debt issuance costs. The guidance requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. The guidance requires retrospective application and is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted. The guidance is not expected to have a material impact on our consolidated financial statements.

In April 2015, the FASB issued new guidance clarifying whether a customer should account for a cloud computing arrangement as an acquisition of a software license or as a service arrangement by providing characteristics that a cloud computing arrangement must have in order to be accounted for as a software license acquisition. The guidance allows either retrospective or prospective application and is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted. The guidance is not expected to have a material impact on our consolidated financial statements.

In November 2015, the FASB issued new guidance that amends the balance sheet presentation for deferred tax assets and liabilities. The guidance requires that all deferred tax assets and liabilities, and any related valuation allowance, be classified as noncurrent on the balance sheet. The guidance allows either retrospective or prospective application and is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. The guidance is not expected to have a material impact on our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

We have both U.S. and international operations, and we are exposed to market risks in the ordinary course of our business, including the effect of foreign currency fluctuations, interest rate changes and inflation. Information relating to quantitative and qualitative disclosures about these market risks is set forth below.

Foreign Currency Exchange Risk

We transact business in various currencies other than the U.S. dollar, principally the British pound sterling and the Euro, which exposes us to foreign currency risk. Net revenues and related expenses generated from our international operations are denominated in the functional currencies of the corresponding country. The functional currency of each of our non-U.S. subsidiaries that either operate or support these markets is generally the same as the corresponding local currency. For 2015 and 2014, approximately 21.4% and 21.8%, respectively, of our net revenues were denominated in such foreign currencies.

We entered into a forward contract to hedge fluctuations in the value of certain intercompany debt denominated in foreign currencies but did not enter into any derivative financial instruments for trading or speculative purposes. Although we have experienced and will continue to experience fluctuations in our net income as a result of the consolidation of our international operations due to transaction gains (losses) related to revaluing certain cash balances and trade accounts receivable that are denominated in currencies other than the U.S. dollar, we believe such a change will not have a material impact on our results of operations.

We assess our market risk based on changes in foreign currency exchange rates utilizing a sensitivity analysis that measures the potential impact in earnings, fair values and cash flows based on a hypothetical 10% change (increase and

decrease) in currency rates. We use a current market pricing model to assess the changes in the value of the U.S. dollar on foreign currency denominated monetary assets and liabilities.

The primary assumption used in these models is a hypothetical 10% weakening or strengthening of the U.S. dollar against all of our currency exposures as of December 31, 2015, assuming instantaneous and parallel shifts in exchange rates. As of December 31, 2015, our working capital surplus (defined as current assets less current liabilities) subject to foreign currency translation risk was $25.9 million. The potential decrease in net current assets from a hypothetical 10.0% adverse change in quoted foreign currency exchange rates would be $2.6 million. This compares to a working capital surplus subject to foreign currency translation risk of $23.0 million as of December 31, 2014, for which a hypothetical 10% adverse change would have resulted in a potential decrease in net current assets of $2.3 million.

Interest Rate Risk

As of December 31, 2015, we had total notes payable of $72.5 million, consisting of variable interest rate debt based on 3-month LIBOR. Our variable interest rate debt is subject to interest rate risk, because our interest payments will fluctuate with movements in the underlying 3-month LIBOR rate. A 100 basis point change in LIBOR rates would result in an increase in our interest expense of $0.7 million for the next 12 months based on current outstanding borrowings.

Our exposure to market risk on our cash and cash equivalents for changes in interest rates is limited because nearly all of our cash and cash equivalents have a short-term maturity and are used primarily for working capital purposes.

Impact of Inflation

We believe that our results of operations are not materially impacted by moderate changes in the inflation rate. Inflation and changing prices did not have a material effect on our business, financial condition or results of operations in 2015, 2014, or 2013.

Item 8. Financial Statements.

The information required by this item is incorporated by reference to the consolidated financial statements and accompanying notes set forth on pages F-1 through F-29 of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act refers to controls and procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to a company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2015, the end of the period covered by this Annual Report on Form 10-K. Based upon such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of such date.

Management's Report on Internal Control Over Financial Reporting and Attestation Report of the Registered Public Accounting Firm

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). Internal control over financial reporting is a process designed by, or under the supervision of, the issuer's principal executive and principal financial officers, or persons performing similar functions, and effected by the issuer's board of directors, management and other personnel, to provide reasonable assurance

regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that our degree of compliance with the policies or procedures may deteriorate.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of the end of the period covered by this Annual Report on Form 10-K based on the framework in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organization of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2015.

Our independent registered public accounting firm, which has audited our consolidated financial statements, has also audited the effectiveness of our internal control over financial reporting as of December 31, 2015, as stated in their report, which is included in Item 15(a)(1) of this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2015, which were identified in connection with management's evaluation required by Rules 13a-15(d) and 15d-15(d) under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Controls

Our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives as specified above. Management does not expect, however, that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our company have been detected.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by Part III, Item 10, will be included in our Proxy Statement relating to our 2016 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2015, and is incorporated herein by reference.

Item 11. Executive Compensation

Information required by Part III, Item 11, will be included in our Proxy Statement relating to our 2016 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2015, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information required by Part III, Item 12, will be included in our Proxy Statement relating to our 2016 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2015, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions and Director Independence.

Information required by Part III, Item 13, will be included in our Proxy Statement relating to our 2016 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2015, and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

Information required by Part III, Item 14, will be included in our Proxy Statement relating to our 2016 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2015, and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) Documents Filed with Report
(b) Financial Statements.

(2) Financial Statement Schedules.

All schedules are omitted because the required information is already included in our notes to our consolidated financial statements or because they are not applicable.

(3) Exhibits.

The information required by this Item is set forth on the exhibit index that follows the signature page of this Annual Report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 19, 2016

RETAILMENOT, INC.

By: /S/ G. COTTER CUNNINGHAM
G. Cotter Cunningham
President and Chief Executive Officer

SIGNATURES AND POWER OF ATTORNEY

Each person whose individual signature appears below hereby authorizes and appoints G. Cotter Cunningham and J. Scott Di Valerio, and each of them, with full power of substitution and resubstitution and full power to act without the other, as his or her true and lawful attorney-in-fact and agent to act in his or her name, place and stead and to execute in the name and on behalf of each person, individually and in each capacity stated below, and to file any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing, ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated.

Signature	Title	Date
/S/ G. COTTER CUNNINGHAM *G. Cotter Cunningham*	President, Chief Executive Officer (Principal Executive Officer) and Director	February 19, 2016
/S/ J. SCOTT DI VALERIO *J. Scott Di Valerio*	Chief Financial Officer (Principal Financial Officer)	February 19, 2016
/S/ THOMAS E. AYLOR *Thomas E. Aylor*	Principal Accounting Officer	February 19, 2016
/S/ C. THOMAS BALL *C. Thomas Ball*	Director	February 19, 2016
/S/ JEFFREY M. CROWE *Jeffrey M. Crowe*	Director	February 19, 2016
/S/ ERIC KORMAN *Eric Korman*	Director	February 19, 2016
/S/ JULES A. MALTZ *Jules A. Maltz*	Director	February 19, 2016
/S/ GOKUL RAJARAM *Gokul Rajaram*	Director	February 19, 2016
/S/ GREG J. SANTORA *Greg J. Santora*	Director	February 19, 2016
/S/ BRIAN H. SHARPLES *Brian H. Sharples*	Director	February 19, 2016
/S/ TAMAR YEHOSHUA *Tamar Yehoshua*	Director	February 19, 2016

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of RetailMeNot, Inc.

We have audited the accompanying consolidated balance sheets of RetailMeNot, Inc. and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of RetailMeNot, Inc. and subsidiaries at December 31, 2015 and 2014, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), RetailMeNot, Inc.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 19, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Austin, Texas
February 19, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of RetailMeNot, Inc.

We have audited RetailMeNot, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). RetailMeNot, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, RetailMeNot, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of RetailMeNot, Inc. and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2015 and our report dated February 19, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Austin, Texas
February 19, 2016

RETAILMENOT, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	December 31, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 259,769	$ 244,482
Accounts receivable (net of allowance for doubtful accounts of $2,905 and $2,356 at December 31, 2015 and 2014, respectively)	67,504	69,603
Prepaids and other current assets, net	13,816	14,930
Total current assets	341,089	329,015
Property and equipment, net	21,382	16,949
Intangible assets, net	61,245	70,819
Goodwill	174,725	176,927
Other assets, net	8,775	5,394
Total assets	$ 607,216	$ 599,104
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 8,713	$ 5,482
Accrued compensation and benefits	10,136	12,138
Accrued expenses and other current liabilities	7,155	6,110
Income taxes payable	5,109	9,032
Current maturities of long term debt	10,000	10,000
Total current liabilities	41,113	42,762
Deferred tax liability—noncurrent	4,462	3,404
Long term debt	62,500	40,000
Other noncurrent liabilities	7,752	8,183
Total liabilities	115,827	94,349
Commitments and contingencies		
Stockholders' equity:		
Preferred stock: $0.001 par value; 10,000,000 shares authorized, no shares issued and outstanding as of December 31, 2015 and 2014.	—	—
Series 1 common stock: $0.001 par value, 150,000,000 shares authorized; 51,091,393 and 54,253,452 shares issued and outstanding as of December 31, 2015 and 2014, respectively.	51	54
Series 2 common stock: $0.001 par value, 6,107,494 shares authorized; zero shares issued and outstanding as of December 31, 2015 and 2014.	—	—
Additional paid-in capital	495,151	517,421
Accumulated other comprehensive loss	(4,883)	(1,942)
Retained earnings (accumulated deficit)	1,070	(10,778)
Total stockholders' equity	491,389	504,755
Total liabilities and stockholders' equity	$ 607,216	$ 599,104

See the accompanying notes, which are an integral part of these Consolidated Financial Statements.

RETAILMENOT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Year Ended December 31,		
	2015	**2014**	**2013**
Net revenues	$ 249,115	$ 264,683	$ 209,836
Costs and expenses:			
Cost of net revenues	19,904	18,617	13,049
Product development	51,580	47,882	30,566
Sales and marketing	99,380	90,062	70,303
General and administrative	39,813	42,343	28,583
Amortization of purchased intangible assets	10,664	12,243	12,081
Other operating expenses	4,616	4,065	2,525
Total costs and expenses	225,957	215,212	157,107
Income from operations	23,158	49,471	52,729
Other income (expense):			
Interest expense, net	(1,988)	(1,981)	(2,980)
Other income (expense), net	(315)	(1,102)	672
Income before income taxes	20,855	46,388	50,421
Provision for income taxes	(9,007)	(19,423)	(18,891)
Net income	$ 11,848	$ 26,965	$ 31,530
Preferred stock dividends on participating preferred stock	—	—	(19,928)
Total undistributed earnings	11,848	26,965	11,602
Undistributed earnings allocated to participating preferred stock	—	—	(5,998)
Net income attributable to common stockholders	$ 11,848	$ 26,965	$ 5,604
Net income per share attributable to common stockholders:			
Basic	$ 0.22	$ 0.50	$ 0.24
Diluted	$ 0.22	$ 0.49	$ 0.23
Weighted-average number of common shares used in computing net income per share:			
Basic	53,076	53,792	23,074
Diluted	54,099	55,311	25,742

See the accompanying notes, which are an integral part of these Consolidated Financial Statements.

RETAILMENOT, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Year Ended December 31,		
	2015	**2014**	**2013**
Net income	$ 11,848	$ 26,965	$ 31,530
Other comprehensive income, net of tax:			
Foreign currency translation adjustments	(2,941)	(3,480)	2,081
Comprehensive income	$ 8,907	$ 23,485	$ 33,611

See the accompanying notes, which are an integral part of these Consolidated Financial Statements.

RETAILMENOT, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(in thousands, except share amounts)

	Series 1 Common Stock		Series 2 Common Stock		Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholder's Equity (Deficit)
	Number of Shares	Amount	Number of Shares	Amount				
Balance at December 31, 2012	947,953	$ 1	—	$ —	$ 8,579	$ (49,410)	$ (543)	$ (41,373)
Net income	—	—	—	—	—	31,530	—	31,530
Issuance of common stock upon initial public offering, net of offering costs	4,545,454	5	—	—	85,360	—	—	85,365
Issuance of common stock upon follow-on offering, net of offering costs	2,000,000	2	—	—	49,105	—	—	49,107
Conversion of preferred stock to common stock upon initial public offering	38,072,967	38	6,107,494	6	310,165	—	—	310,209
Foreign currency translation adjustment	—	—	—	—	—	—	2,081	2,081
Exercise of common stock warrant	457,796	—	—	—	1	—	—	1
Stock issuances under employee plans, net of shares withheld for taxes	545,206	1	—	—	1,716	—	—	1,717
Stock-based compensation expense	—	—	—	—	10,507	—	—	10,507
Excess income tax benefit from stock-based compensation	—	—	—	—	2,028	—	—	2,028
Accretion of preferred stock dividends	—	—	—	—	—	(19,863)	—	(19,863)
Balance at December 31, 2013	46,569,376	47	6,107,494	6	467,461	(37,743)	1,538	431,309
Net income	—	—	—	—	—	26,965	—	26,965
Foreign currency translation adjustment	—	—	—	—	—	—	(3,480)	(3,480)
Conversion of Series 2 common stock to Series 1 common stock	6,107,494	6	(6,107,494)	(6)	—	—	—	—
Payments of offering costs for follow-on offering	—	—	—	—	(59)	—	—	(59)
Stock issuances under employee plans, net of shares withheld for taxes	1,576,582	1	—	—	13,309	—	—	13,310
Stock-based compensation expense	—	—	—	—	24,518	—	—	24,518
Excess income tax benefit from stock-based compensation and other	—	—	—	—	12,192	—	—	12,192
Balance at December 31, 2014	54,253,452	54	—	—	517,421	(10,778)	(1,942)	504,755
Net income	—	—	—	—	—	11,848	—	11,848
Foreign currency translation adjustment	—	—	—	—	—	—	(2,941)	(2,941)
Stock issuances under employee plans, net of shares withheld for taxes	1,160,941	1	—	—	6,238	—	—	6,239
Repurchase of common stock	(4,323,000)	(4)	—	—	(52,869)	—	—	(52,873)
Stock-based compensation expense	—	—	—	—	26,894	—	—	26,894
Income tax shortfall, net of excess income tax benefit, from stock-based compensation	—	—	—	—	(2,533)	—	—	(2,533)
Balance at December 31, 2015	51,091,393	$ 51	—	$ —	$ 495,151	$ 1,070	$ (4,883)	$ 491,389

See the accompanying notes, which are an integral part of these Consolidated Financial Statements.

RETAILMENOT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31, 2015	2014	2013
Cash flows from operating activities:			
Net income	$ 11,848	$ 26,965	$ 31,530
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	17,131	15,746	14,112
Stock-based compensation expense	26,894	24,518	10,507
Deferred income tax benefit	(849)	(4,169)	(2,828)
Excess income tax benefit from stock-based compensation and other	(1,374)	(12,192)	(2,028)
Non-cash interest expense	407	603	996
Impairment of assets	2,340	—	—
Amortization of deferred compensation	2,297	3,978	2,527
Other non-cash gains and losses, net	223	1,011	91
Provision for doubtful accounts receivable	783	3,319	180
Changes in operating assets and liabilities:			
Accounts receivable, net	161	(14,540)	(25,747)
Prepaid expenses and other current assets, net	(1,123)	(2,904)	(5,873)
Accounts payable	4,035	857	1,209
Accrued expenses and other current liabilities	(3,222)	15,757	9,966
Other noncurrent assets and liabilities	938	2,446	(3,112)
Net cash provided by operating activities	60,489	61,395	31,530
Cash flows from investing activities:			
Payments for acquisition of businesses, net of acquired cash	—	(75)	(28,613)
Purchase of property and equipment	(10,903)	(9,498)	(6,487)
Purchase of other assets	(4,337)	(3,476)	(1,796)
Purchase of non-marketable investment	(4,000)	—	—
Proceeds from sale of property and equipment	23	—	—
Net cash used in investing activities	(19,217)	(13,049)	(36,896)
Cash flows from financing activities:			
Proceeds from initial public offering, net of offering costs	—	—	85,365
Proceeds from follow-on offering, net of offering costs	—	—	49,107
Payments of offering costs for follow-on offering	—	(59)	—
Payments of preferred stock dividends	—	—	(58,682)
Proceeds from notes payable, net of issuance costs	29,950	49,150	33,069
Payments on notes payable	(7,500)	(41,273)	(38,925)
Proceeds from issuance of common stock, net of shares withheld for taxes	4,166	11,454	1,753
Excess income tax benefit from stock-based compensation and other	1,374	12,192	2,028
Payments for repurchase of common stock	(52,873)	(7)	—
Payments of principal on capital lease arrangements	(7)	(13)	(11)
Net cash provided by (used in) financing activities	(24,890)	31,444	73,704
Effect of foreign currency exchange rate on cash	(1,095)	(1,189)	401
Change in cash and cash equivalents	15,287	78,601	68,739
Cash and cash equivalents, beginning of year	244,482	165,881	97,142
Cash and cash equivalents, end of year	$ 259,769	$ 244,482	$ 165,881
Supplemental disclosure of cash flow information			
Cash interest payments	$ 1,643	$ 2,246	$ 1,777
Income tax payments, net	$ 12,304	$ 10,169	$ 16,087
Supplemental disclosure of non-cash investing activities			
Issuance of notes payable in connection with acquisition	$ —	$ —	$ 6,085
Supplemental disclosure of non-cash financing activities			
Accretion of preferred stock dividends	$ —	$ —	$ 19,928

See the accompanying notes, which are an integral part of these Consolidated Financial Statements.

1. Description of Business

We operate a leading digital savings destination connecting consumers with retailers, restaurants and brands, both online and instore. We operate under the RetailMeNot brand in the U.S., VoucherCodes in the U.K. and Poulpeo and Ma-Reduc in France. Our websites, mobile applications, email newsletters and alerts and social media presence enable consumers to search for, discover and redeem relevant digital offers from retailers and brands. Our marketplace features digital offers across multiple product categories, including clothing and shoes; electronics; health and beauty; home and office; travel, food and entertainment; and personal and business services. We believe our investments in digital offer content quality, product innovation and direct retailer relationships allow us to offer a compelling experience to consumers looking to save money, whether online or in-store.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The consolidated financial statements include the accounts of the Company and our wholly owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. All significant intercompany transactions and balances have been eliminated.

Significant Estimates and Judgments

The preparation of our consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of net revenues and expenses during the reporting periods. These estimates and assumptions could have a material effect on our future results of operations and financial position. Significant items subject to our estimates and assumptions include stock-based compensation, income taxes, valuation of acquired goodwill and intangible assets, allowance for doubtful accounts, revenue returns reserve, unrecognized tax benefits, acquisition-related contingent liabilities and the useful lives of property and equipment and intangible assets. As a result, actual amounts could differ from those presented herein.

Reclassifications

Certain prior period amounts in the notes to consolidated financial statements have been reclassified to conform to the current year presentation. These changes consisted of a reclassification to the table summarizing our revenue returns reserve. These reclassifications did not impact previously reported amounts in the accompanying consolidated financial statements.

Business Segment

We have one operating and reporting segment consisting of various products and services that are all related to our marketplace for digital offers. Our chief operating decision maker is our Chief Executive Officer. Our Chief Executive Officer allocates resources and assesses performance of the business and other activities at a single reporting segment level.

Cash and Cash Equivalents

All highly-liquid investments with an original maturity of three months or less at the date of purchase are considered to be cash equivalents.

Accounts Receivable, Net

Accounts receivable, net represent amounts due from retailers, primarily through various performance marketing networks, for commissions earned on consumer purchases and amounts due for advertising. We record an allowance for doubtful accounts in an amount equal to the estimated probable losses net of recoveries, which are based on an analysis of historical bad debt, current receivables aging and expected future write-offs of uncollectible accounts, as well as an assessment of specific identifiable accounts considered at risk or uncollectible. Accounts receivable are written off against the allowance for doubtful accounts when it is determined that the receivable is uncollectible.

The following table summarizes our allowance for doubtful accounts (in thousands):

	Beginning Balance	Additions Charged to Expense	Write-offs	Ending Balance
Allowance for doubtful accounts:				
Year ended December 31, 2013	$ 933	180	(246)	$ 867
Year ended December 31, 2014	867	3,319	(1,830)	2,356
Year ended December 31, 2015	2,356	783	(234)	2,905

Property and Equipment, Net

Property and equipment, net includes assets such as furniture and fixtures, leasehold improvements, computer hardware, office and telephone equipment and certain capitalized internally developed software and website development costs. We record property and equipment at cost less accumulated depreciation and amortization, using the straight-line method. Ordinary maintenance and repairs are charged to expense, while expenditures that extend the physical or economic life of the assets are capitalized. Property and equipment are depreciated over their estimated economic lives, which range from three to five years, using the straight-line method. Leasehold improvements are amortized over the shorter of the estimated useful lives of the improvements or the lease term. Capitalized internally developed software and website development costs are depreciated over their estimated useful lives, which range from two to three years. We perform reviews for the impairment of property and equipment when management believes events or circumstances indicate the carrying amount of an asset may not be recoverable.

Goodwill and Other Intangible Assets

Goodwill arises from business combinations and is measured as the excess of the cost of the business acquired over the sum of the acquisition-date fair values of tangible and identifiable intangible assets acquired, less any liabilities assumed.

We evaluate goodwill for impairment annually on October 1, during the fourth quarter of each year, or more frequently when an event occurs or circumstances change that indicates the carrying value may not be recoverable. Events or circumstances that could trigger an impairment test include, but are not limited to, a significant adverse change in the business climate or in legal factors, an adverse action or assessment by a regulator, a loss of key personnel, significant changes in our use of the acquired assets or the strategy for our overall business, significant negative industry or economic trends, significant underperformance relative to operating performance indicators and significant changes in competition.

We evaluate the recoverability of goodwill using a two-step impairment process tested at our sole reporting segment level. In the first step, the fair value for our reporting unit is compared to our book value including goodwill. If the fair value is less than the book value, a second step is performed that compares the implied fair value of goodwill to the book value of the goodwill. The fair value for the implied goodwill is determined based on the difference between the fair value of the sole reporting segment and the net fair value of the identifiable assets and liabilities excluding goodwill. If the implied fair value of the goodwill is less than the book value, the difference is recognized as an impairment charge in the consolidated statements of operations. We did not record any goodwill impairment charges during the years ended December 31, 2015, 2014 and 2013.

Identifiable intangible assets consist of acquired customer intangible assets, marketing-related intangible assets, contract-based intangible assets, and technology-based intangible assets. Intangible assets with definite lives are amortized over their estimated useful lives on a straight-line or accelerated basis. See Note 3, "Goodwill and Other Intangible Assets". The method of amortization applied represents our best estimate of the distribution of the economic value of the identifiable intangible assets. The factors we consider in determining the useful lives of identifiable intangible assets included the extent to which expected future cash flows would be affected by our intent and ability to retain use of these assets, including the period of time that would capture 90% or more of the assets value on a perpetuity basis.

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of intangible assets may not be recoverable. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or any other significant adverse change that would indicate that the carrying amount of an asset or group of assets may not be recoverable. When such events occur, we compare the carrying amounts of the assets to their undiscounted cash flows. If this

comparison indicates that there is impairment, the amount of the impairment is calculated as the difference between the carrying value and the fair value.

Deferred Financing Costs

We capitalize underwriting, legal and other direct costs incurred related to the issuance of debt, which are recorded as deferred charges and amortized to interest expense over the term of the related debt using the effective interest method. Upon the extinguishment of the related debt, any unamortized capitalized deferred financing costs are recorded to interest expense.

Lease Obligations

We categorize leases at their inception as either operating or capital leases, and may receive renewal or expansion options, rent holidays, leasehold improvement allowances and other incentives on certain lease agreements. We recognize operating lease costs on a straight-line basis over the term of the agreement, taking into account adjustments for market provisions, such as free or escalating base monthly rental payments, or deferred payment terms, such as rent holidays, that defer the commencement date of required payments. We record rent expense associated with operating lease obligations in general and administrative expenses in the consolidated statements of operations.

Revenue Recognition

We recognize revenue when persuasive evidence of an arrangement exists, services have been rendered, the fee to the paid retailer, defined as a retailer with which we have a contract, is fixed or determinable and collectability of the resulting receivable is reasonably assured. For commission revenues, which represent the substantial majority of our net revenues, revenue recognition generally occurs when a consumer, having visited one of our websites and clicked on a digital offer for a paid retailer makes a purchase with such paid retailer, and completion of the order is reported to us by such paid retailer, either directly or through a performance marketing network. The reporting by the paid retailer includes the amount of commissions the paid retailer has calculated as owing to us. Certain paid retailers do not provide reporting until a commission payment is made. In those cases, which have historically not been significant, we record commission revenues on a cash basis. For advertising revenues, revenue recognition occurs when we display a paid retailer's advertisements on our websites or mobile applications.

Multiple Element Arrangements. When we enter into revenue arrangements with certain paid retailers that are comprised of multiple deliverables, we allocate consideration to all deliverables based on the relative selling price method in accordance with the selling price hierarchy. The objective of the hierarchy is to determine the price at which we would transact a sale if the service were sold on a stand-alone basis and requires the use of: (1) vendor-specific objective evidence, or VSOE, if available; (2) third-party evidence, or TPE, if VSOE is not available; and (3) a best estimate of the selling price, or BESP, if neither VSOE nor TPE is available.

VSOE. We determine VSOE based on our historical pricing and discounting practices for the specific service when sold separately. In determining VSOE, we require that a substantial majority of the stand-alone selling prices for these services fall within a reasonably narrow pricing range. We have not historically sold our services within a reasonably narrow pricing range. As a result, we have not been able to establish VSOE.

TPE. When VSOE cannot be established for deliverables in multiple element arrangements, we apply judgment with respect to whether we can establish a selling price based on TPE. TPE is determined based on competitor prices for similar deliverables when sold separately. Generally, our go-to-market strategy differs from that of our peers and our offerings contain a significant level of differentiation such that the comparable pricing of services cannot be obtained. Furthermore, we are unable to reliably determine what similar competitor services' selling prices are on a stand-alone basis. As a result, we have not been able to establish selling price based on TPE.

BESP. When we are unable to establish selling price using VSOE or TPE, we use BESP in our allocation of arrangement consideration. The objective of BESP is to determine the price at which we would transact a sale if the service were sold on a stand-alone basis. BESP is generally used to allocate the selling price to deliverables in our multiple element arrangements. We determine BESP for deliverables by considering multiple factors including, but not limited to, prices we charge for similar offerings, market conditions, competitive landscape and pricing practices. We limit the amount of allocable arrangement consideration to amounts that are fixed or determinable and that are not contingent on future performance or future deliverables.

If the facts and circumstances underlying the factors we considered change or should future facts and circumstances lead us to consider additional factors, both our determination of our relative selling price under the hierarchy and our BESPs could change in future periods.

We estimate and record a reserve based upon actual, historical return rates as reported to us by the paid retailers to provide for end-user cancellations or product returns, which may not be reported by the paid retailer or performance marketing network until a subsequent date. As such, we report commission revenues net of the estimated returns reserve. Net revenues are reported net of sales taxes, where applicable. The following table summarizes our revenue returns reserve (in thousands):

	Beginning Balance	Provision for Returns	Returns	Ending Balance
Revenue returns reserve:				
Year ended December 31, 2013	$ 1,638	$ 12,519	$ (10,335)	$ 3,822
Year ended December 31, 2014	3,822	14,566	(15,168)	3,220
Year ended December 31, 2015	3,220	14,144	(14,155)	3,209

Our payment arrangements with paid retailers are both direct and through performance marketing networks, which act as intermediaries between the paid retailers and us. No paid retailer individually accounted for more than 10% of net revenues or accounts receivable for any of the years ended December 31, 2015, 2014 and 2013.

Cost of Net Revenues

Cost of net revenues is composed of direct and indirect costs incurred to generate revenue. These costs consist primarily of personnel costs of our salaried merchandising and technology support employees and fees paid to third-party contractors engaged in the operation and maintenance of our existing websites and mobile applications. Such technology costs also include website hosting and Internet service costs. Other costs include allocated facility and general information technology costs.

Sales and Marketing Expense

Our sales and marketing expense consists primarily of personnel costs for our sales, marketing, search engine optimization, search engine marketing and business analytics employees, as well as online, brand and other marketing expenses. Our online, brand and other marketing costs include search engine fees, advertising on social networks, television and radio advertising, promotions, display advertisements, creative development fees, public relations, email campaigns, trade shows and other general marketing costs. Other costs include allocated facility and general information technology costs.

Advertising Expenses

We expense all advertising costs as incurred. Advertising expenses included in sales and marketing expense were $23.4 million, $23.1 million and $22.2 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Product Development

Our product development expense consists primarily of personnel costs of our product management and software engineering teams, as well as fees paid to third-party contractors and consultants engaged in the design, development, testing and improvement of the functionality, offer content and user experience of our websites and mobile applications.

General and Administrative Expense

Our general and administrative expense represents personnel costs for employees involved in general corporate functions, including executive, finance, accounting, legal and human resources, among others. Additional costs included in general and administrative expense include professional fees for legal, audit and other consulting services, the provision for doubtful accounts receivable, travel and entertainment, charitable contributions, recruiting, allocated facility and general information technology costs and other general corporate overhead expenses.

Stock-Based Compensation Expense

Stock-based compensation expense is measured at the grant date based on the estimated fair value of the award, net of estimated forfeitures. We recognize these compensation costs on a straight-line basis over the requisite service period of the award. Forfeiture rates are estimated at grant date based on historical experience and adjusted in subsequent periods for differences in actual forfeitures from those estimates. We include stock-based compensation expense in cost of net revenues and

operating expenses in our consolidated statements of operations, consistent with the respective employees' cash compensation. We determine the fair value of stock options on the grant date using the Black-Scholes-Merton valuation model.

Fair Value of Financial Instruments

The carrying amounts of our financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and notes payable, approximate fair value due to the instruments' short-term maturities or, in the case of the long-term notes payable, based on the variable interest rate feature. We record derivative liabilities at fair value.

Income Taxes

The provision for income taxes is determined using the asset and liability method. Deferred tax assets and liabilities are calculated based upon the temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using the enacted tax rates that are applicable in a given year. The deferred tax assets are recorded net of a valuation allowance when, based on the available supporting evidence, we believe it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods.

The Company may be subject to income tax audits by the respective tax authorities in any or all of the jurisdictions in which the Company operates or has operated within a relevant period, including the United States, the United Kingdom, France, Germany, and the Netherlands. Significant judgment is required in determining uncertain tax positions. We utilize a two-step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes. We adjust these reserves in light of changing facts and circumstances, such as the closing of an audit or the refinement of an estimate. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. We include interest and penalties related to uncertain tax positions in the provision for income taxes on our consolidated statements of operations.

Foreign Currency

Our operations outside of the U.S. generally use the local currency as their functional currency. Assets and liabilities for these operations are translated at exchange rates in effect at the balance sheet date. Income and expense accounts are translated at average exchange rates for the period. Foreign currency translation adjustments are recorded in accumulated other comprehensive income (loss) in our consolidated statements of comprehensive income. Gains and losses from foreign currency denominated transactions, which were a $0.4 million loss, net, in 2015, a $0.9 million loss, net, in 2014 and a $0.7 million gain, net, in 2013, are recorded in other income (expense), net in our consolidated statements of operations.

Non-Marketable Investments and Other-Than-Temporary Impairment

During the second quarter of 2015, we invested $4.0 million in a non-controlling minority ownership stake in a privately-held marketing technology company in the United States. The minority interest is included at cost in other assets, net, on our consolidated balance sheets. We own less than 20% of the voting equity of the investee.

We regularly evaluate the carrying value of our cost-method investment for impairment and whether any events or circumstances are identified that would significantly harm the fair value of the investment. The primary indicators we utilize to identify these events and circumstances are the investee's ability to remain in business, such as the investee's liquidity and rate of cash use, and the investee's ability to secure additional funding and the value of that additional funding. In the event a decline in fair value is judged to be other-than-temporary, we will record an other-than-temporary impairment charge in other income, net in our consolidated statements of operations. As the inputs utilized for our periodic impairment assessment are not based on observable market data, potential impairment charges related to our cost-method investment would be classified within Level 3 of the fair value hierarchy. To determine the fair value of this investment, we use all available financial information related to the entity, including information based on recent or pending third-party equity investments in the entity. In certain instances, a cost-method investment's fair value is not estimated as there are no identified events or changes in the circumstances that may have a significant adverse effect on the fair value of the investment and to do so would be impractical.

Derivative Financial Instruments

Our operations outside of the U.S. expose us to various market risks that may affect our consolidated results of operations, cash flows and financial position. These market risks include, but are not limited to, fluctuations in currency exchange rates. Our primary foreign currency exposures are in Euros and British Pound Sterling. As a result, we face exposure to adverse movements in currency exchange rates as the financial results of our operations are translated from local currency into U.S. dollars upon consolidation.

We have entered into a derivative instrument to hedge certain exposures of non-functional currency denominated intercompany loans and may enter into further such instruments in the future. We have not elected to apply hedge accounting or hedge accounting does not apply. Gains and losses resulting from a change in fair value for these derivatives are reflected in the period in which the change occurs and are recorded in other income (expense), net in our consolidated statement of operations. During the years ended December 31, 2015 and 2014, we recorded gains of $0.8 million and $0.2 million, respectively, related to our foreign exchange derivative instruments. The fair value and notional principal amount of our outstanding foreign exchange derivative instrument as of December 31, 2015 are $0.0 million and $6.3 million, respectively, compared to the fair value and notional principal amount as of December 31, 2014 of $0.0 million and $9.0 million, respectively. We did not enter into any foreign exchange derivative instruments prior to the year ended December 31, 2014.

We do not use financial instruments for trading or speculative purposes. Derivative instruments are recorded on the balance sheet at fair value and are short-term in duration. We are exposed to the risk that counterparties to derivative contracts may fail to meet their contractual obligations.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board, or FASB, issued new guidance that superseded previously existing revenue recognition requirements. The guidance provides a five-step process to recognize revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration expected in exchange for those goods and services. The guidance requires disclosures enabling users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. On July 9, 2015, the FASB deferred the effective date by one year to December 15, 2017 for the first interim period within annual reporting periods beginning after that date, using either a full or modified retrospective application method. Early adoption of the standard is permitted, but not before the first interim period within annual reporting periods beginning after the original effective date of December 15, 2016. We are currently evaluating which of the two retrospective application methods we will use and the effect that the adoption of this guidance will have on our consolidated financial statements.

In April 2015, the FASB issued new guidance that amends the balance sheet presentation of debt issuance costs. The guidance requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. The guidance requires retrospective application and is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted. The guidance is not expected to have a material impact on our consolidated financial statements.

In April 2015, the FASB issued new guidance clarifying whether a customer should account for a cloud computing arrangement as an acquisition of a software license or as a service arrangement by providing characteristics that a cloud computing arrangement must have in order to be accounted for as a software license acquisition. The guidance allows either retrospective or prospective application and is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted. The guidance is not expected to have a material impact on our consolidated financial statements.

In November 2015, the FASB issued new guidance that amends the balance sheet presentation for deferred tax asses and liabilities. The guidance requires that all deferred tax assets and liabilities, and any related valuation allowance, be classified as noncurrent on the balance sheet. The guidance allows either retrospective or prospective application and is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. The guidance is not expected to have a material impact on our consolidated financial statements.

3. Goodwill and Other Intangible Assets

Changes in our goodwill balance for the years ended December 31, 2015 and 2014 are summarized in the table below (in thousands).

Balance at December 31, 2013	$	179,659
Acquired in business combinations		75
Foreign currency translation adjustment		(2,807)
Balance at December 31, 2014		176,927
Acquired in business combinations		—
Foreign currency translation adjustment		(2,202)
Balance at December 31, 2015	$	174,725

Intangible assets consisted of the following as of December 31, 2015 and 2014 (in thousands):

	Weighted-Average Amortization Period (Months)	Estimated Useful Life (Months)	Balance at December 31, 2015			
			Gross	Accumulated Amortization	Impairment Expense	Net
Customer relationships	180	180	$ 16,082	$ (5,496)	$ (243)	$ 10,343
Marketing-related	154	48-180	80,745	(28,755)	(2,068)	49,922
Contract-based	58	12-60	19,755	(18,746)	(29)	980
Technology-based	12	12	7,643	(7,643)	—	—
Total intangible assets			$ 124,225	$ (60,640)	$ (2,340)	$ 61,245

	Weighted-Average Amortization Period (Months)	Estimated Useful Life (Months)	Balance at December 31, 2014			
			Gross	Accumulated Amortization	Impairment Expense	Net
Customer relationships	180	180	$ 16,156	$ (4,439)	$ —	$ 11,717
Marketing-related	160	48-180	77,379	(22,636)	—	54,743
Contract-based	58	12-60	19,808	(15,449)	—	4,359
Technology-based	12	12	7,773	(7,773)	—	—
Total intangible assets			$ 121,116	$ (50,297)	$ —	$ 70,819

In October 2015, we decided to no longer support the Bons-de-Reduction.com brand. We have redirected traffic from Bons-de-Reduction.com to Poulpeo.com, and do not expect Bons-de-Reduction.com to provide additional income. As a result, we determined that a complete impairment of the remaining unamortized intangible assets associated with Bons-de-Reduction was warranted, resulting in an impairment charge of $2.3 million, which is included in other operating expenses. We did not record any intangible asset impairment charges during the years ended December 31, 2014 and 2013.

As of December 31, 2015 and 2014, the weighted-average amortization period for definite-lived intangible assets was 11.1 and 11.4 years, respectively. Estimated amortization of intangible assets for the five years subsequent to December 31, 2015 and thereafter is as follows (in thousands):

2016	$	7,812
2017		7,792
2018		7,580
2019		6,744
2020		5,287
Thereafter		26,030
	$	61,245

4. Property and Equipment, Net

Property and equipment consisted of the following as of December 31, 2015 and 2014 (in thousands):

	Estimated Useful Life (Years)	December 31, 2015	December 31, 2014
Computer hardware	3	$ 3,078	$ 2,583
Purchased software	3	2,923	1,319
Office equipment	3	620	565
Internally developed software and website development costs	2-3	9,471	2,612
Office furniture and fixtures	5	5,149	4,487
Leasehold improvements	5	12,873	11,872
Gross property and equipment		34,114	23,438
Less: Accumulated amortization and depreciation		(12,732)	(6,489)
Net property and equipment		$ 21,382	$ 16,949

Depreciation and amortization expense related to property and equipment was $6.5 million, $3.5 million and $2.0 million for the years ended December 31, 2015, 2014 and 2013, respectively. These amounts includes $1.8 million and $0.1 million of depreciation expense on internally developed software and website development costs for the years ended December 31, 2015 and 2014, respectively. Included within internally developed software and website development costs capitalized during the years ended December 31, 2015 and 2014 is $1.1 million and $0.4 million of capitalized stock-based compensation expense. We did not capitalize or recognize any depreciation expense related to any internally developed software and website development costs prior to the year ended December 31, 2014.

We recorded no impairment of property and equipment and recorded no significant gains or losses on the disposal of property and equipment during the years ended December 31, 2015, 2014 and 2013, respectively.

5. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following as of December 31, 2015 and 2014 (in thousands):

	December 31, 2015	December 31, 2014
Marketing and professional services	$ 3,576	$ 2,606
Taxes other than income taxes	1,576	1,398
Interest payable	416	50
Other	1,587	2,056
	$ 7,155	$ 6,110

6. Long Term Debt

Long-term debt consisted of the following as of December 31, 2015 and 2014 (in thousands):

	December 31, 2015	December 31, 2014
Senior secured note due 2019—average interest rate of 2.1% and 2.9% for the years ended December 31, 2015 and 2014, respectively.	$ 42,500	$ 50,000
Senior revolving credit facility due 2019—average interest rate of 1.6% for the year ended December 31, 2015	30,000	—
	72,500	50,000
Less current maturities	(10,000)	(10,000)
Total long-term debt	$ 62,500	$ 40,000

Senior Debt

On December 23, 2014, we entered into a second amended and restated revolving credit and term loan agreement with certain lenders, or Senior Debt. The Senior Debt consists of a $125.0 million revolving credit facility, an additional uncommitted revolving credit facility of up to $65.0 million and a $50.0 million term loan facility. On December 31, 2015, we had $95.0 million available for borrowings under the revolving credit facility.

We pay a quarterly revolving credit facility fee of 50 basis points per annum. At our option, borrowings under both the term loan facility and the revolving credit facility bear interest at either the base rate or a eurodollar-based rate (each as more fully described in the second amended and restated revolving credit and term loan agreement) plus an applicable margin as determined based on the senior secured debt to EBITDA ratio (as more fully described in the second amended and restated revolving credit and term loan agreement). These rates are summarized in the following table:

Basis for Pricing	Level I	Level II	Level III	Level IV
Consolidated Senior Secured Debt/EBITDA	<1.00:1.00	>1.00:1.00 <1.50:1.00	>1.50:1.00 <2.00:1.00	>2.00:1.00
Revolving Credit Eurodollar Margin (LIBOR)	125 basis points	175 basis points	225 basis points	275 basis points
Revolving Credit Base Rate Margin	25 basis points	75 basis points	125 basis points	175 basis points
Letter of Credit Fees (exclusive of facing fees)	125 basis points	175 basis points	225 basis points	275 basis points
Term Loan Eurodollar Margin (LIBOR)	175 basis points	225 basis points	275 basis points	325 basis points
Term Loan Base Rate Margin	75 basis points	125 basis points	175 basis points	225 basis points

Interest is payable quarterly in arrears for base rate borrowings and on the last day of the applicable eurodollar-interest period for any eurodollar-based borrowings. Principal payments on the term loan facility of $2.5 million are due on the first day of each quarter beginning April 1, 2015, with any remaining balance due in December 2019. Borrowings under the revolving credit facility carry the same maturity date as the $50.0 million term loan. Mandatory prepayments include net cash proceeds from certain asset sales, 100% of the net cash proceeds of any subordinated debt and 50% of the net cash proceeds of certain equity transactions, excluding the cash proceeds from any permitted senior unsecured debt, any equity interests issued under certain stock option or employer incentive plans, and any other equity interests issued if consolidated senior secured debt to EBITDA is less than or equal to 2.00 to 1.00.

The Senior Debt has priority in repayment to all other outstanding debt except certain senior secured notes that we are permitted to issue in the future. We have granted our lenders a security interest in substantially all of our assets, including intellectual property, pursuant to a security agreement and an intellectual property security agreement, except that the security interest shall apply only after the total debt to EBITDA ratio is greater than or equal to 1.50 to 1.00. We are subject to complying with certain financial covenants, including minimum trailing 12 month EBITDA levels, total debt to EBITDA ratio, a fixed charge coverage ratio and a consolidated senior secured debt to EBITDA ratio (each as more fully described in the second amended and restated revolving credit and term loan agreement). The second amended and restated revolving credit and term loan agreement contains customary affirmative and negative covenants and prohibits, among other things and subject to certain exceptions, the incurrence of additional debt, payment of other debt obligations, incurrence of liens, acquisitions of businesses, capital expenditures, sales of businesses or assets, payment of dividends, repurchases of our capital stock, making loans or advances and certain other restrictions. The exceptions to the foregoing include capital expenditures of up to $20 million in any fiscal year and our right to repurchase up to $100 million of our outstanding capital stock, each subject to certain conditions set forth in the second amended and restated revolving credit and term loan agreement. The second amended and restated revolving credit and term loan agreement also contains customary events of default including, among others, payment defaults, breaches of covenants, bankruptcy and insolvency events, cross defaults with certain material indebtedness, judgment defaults, change of control and breaches of representations and warranties.

Future maturities of debt as of December 31, 2015 are as follows (in thousands):

Year Ended December 31,		
2016	$	10,000
2017		10,000
2018		10,000
2019		42,500
	$	72,500

Debt Issuance Costs

Amortization of deferred financing costs was $0.4 million, $0.4 million and $0.4 million during the years ended December 31, 2015, 2014 and 2013, respectively. In addition, during the years ended December 31, 2015, 2014 and 2013 we recognized $0.0 million, $0.2 million and $0.6 million write-offs, respectively, of unamortized deferred financing costs associated with amendments to our senior debt facility.

7. Commitments and Contingencies

Operating Leases

We lease office space, including our corporate headquarters in Austin, Texas, under non-cancelable operating leases. Rent expense under these operating leases was $6.1 million, $4.9 million and $3.2 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Certain of these lease arrangements have renewal or expansion options and adjustments for market provisions, such as free or escalating base monthly rental payments. Amounts reported in the table below are reported net of rent concessions. We recognize rent expense under such lease arrangements on a straight-line basis over the initial term of the lease. The difference between the straight-line expense and the cash paid for rent has been recorded as deferred rent.

We are responsible for paying our proportionate share of the actual operating expenses and real estate taxes under certain of these lease agreements. These operating expenses are not included in the table below. Future minimum lease payments under non-cancelable operating leases (including rent escalation clauses) with terms in excess of one year as of December 31, 2015 are as follows (in thousands):

Year Ended December 31,		
2016	$	3,763
2017		3,828
2018		3,631
2019		3,626
2020		3,842
Thereafter		12,936
	$	31,626

Contractual Obligations

As of December 31, 2015, we had purchase obligations of approximately $9.5 million that primarily relate to contracts for non-cancellable services. The obligations are due and payable as follows (in thousands):

Year Ended December 31,		
2016	$	8,824
2017		516
2018		40
2019		39
2020		39
	$	9,458

Legal Matters

From time to time, we may be involved in litigation relating to claims arising in the ordinary course of business. Management believes that there are no claims or actions pending or threatened against the Company, the ultimate disposition of which would have a material impact on our consolidated financial position, results of operations or cash flows.

Indemnification

In the normal course of business, to facilitate transactions related to our operations, we indemnify certain parties, including lessors, service providers and, from time to time, retailers and performance marketing networks with respect to certain matters. We have agreed to hold certain parties harmless against losses arising from a breach of representations or covenants, or other claims, including intellectual property infringement claims made against those certain parties by third parties. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. In addition, we have entered into indemnification agreements with our officers and directors, and our bylaws contain similar indemnification obligations.

8. Stockholders' Equity and Stock-Based Compensation

Common Stock

All share and per share information for all periods presented has been adjusted to reflect the effect of a four-for-one reverse stock split in June 2013. Our certificate of incorporation authorizes shares of stock as follows: 150,000,000 shares of Series 1 common stock, 6,107,494 shares of Series 2 common stock, and 10,000,000 shares of preferred stock. The common and preferred stock have a par value of $0.001 per share. As of December 31, 2015 and 2014, 51,091,393 and 54,253,452 shares of Series 1 common stock were outstanding, respectively. As of both December 31, 2015 and 2014, zero shares of Series 2 common stock were outstanding.

In March 2014, the holders of all 6,107,494 shares of Series 2 common stock outstanding converted such shares into 6,107,494 fully paid and nonassessable shares of Series 1 common stock. Following such conversion, no shares of Series 2 common stock remained outstanding.

Each share of common stock is entitled to one vote at all meetings of stockholders, except each share of Series 2 common stock is not entitled to vote in connection with the election of the members of our board of directors. The number of authorized shares of common stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of shares of capital stock of the Company representing a majority of the votes represented by all outstanding shares of capital stock of the Company entitled to vote. The holders of common stock are also entitled to receive dividends, when, if and as declared by our board of directors, whenever funds are legally available therefore, subject to the priority rights of any outstanding preferred stock.

Share Repurchase

In February 2015, our board of directors authorized the repurchase of up to $100 million worth of shares of our Series 1 common stock over a period of up to 24 months. During the year ended December 31, 2015, we repurchased 4,323,000 shares of Series 1 common stock at an aggregate purchase price of $52.8 million.

Initial Public Offering

On July 24, 2013, we completed our initial public offering of 10,454,544 shares of Series 1 common stock, at a price of $21.00 per share, before underwriting discounts and commissions. We sold 4,545,454 of such shares and existing stockholders sold an aggregate of 5,909,090 of such shares, including 1,363,636 shares sold by selling stockholders as a result of the underwriters' exercise of their over-allotment option to purchase additional shares. Our initial public offering generated net proceeds to us of approximately $85.4 million, after deducting underwriting discounts and commissions. Expenses incurred by us for our initial public offering were approximately $3.4 million and were recorded against the net proceeds received by us from our initial public offering. We did not receive any proceeds from the sale of shares by the selling stockholders in our initial public offering.

Follow-on Offering

On December 16, 2013, we completed our follow-on offering of 7,207,207 shares of Series 1 common stock, at a price of $26.00 per share before underwriting discounts and commissions. We sold 2,000,000 of such shares and existing stockholders sold an aggregate of 5,207,207 of such shares, including 940,070 shares sold by selling stockholders as a result of the underwriters' exercise of their option to purchase additional shares. The offering generated net proceeds to us of $49.1 million, after deducting underwriting discounts and commissions. Expenses incurred by us for the follow-on offering were approximately $0.6 million and were recorded against the proceeds received from the follow-on offering. We did not receive any proceeds from the sale of shares by the selling stockholders in the follow-on offering.

Stock-Based Compensation

In July 2013, our board of directors and stockholders approved our 2013 Equity Incentive Plan (the "2013 Plan") and our 2013 Employee Stock Purchase Plan (the "2013 Purchase Plan"). When the 2013 Plan took effect, all shares available for grant under our 2007 Stock Plan, as amended (the "2007 Plan"), were transferred into the share pool of the 2013 Plan. Subsequent to our initial public offering, we have not granted, and will not grant in the future, any additional awards under the 2007 Plan. However, the 2007 Plan will continue to govern the terms and conditions of all outstanding equity awards granted under the 2007 Plan.

2013 Employee Stock Purchase Plan

The rights to purchase common stock granted under the 2013 Purchase Plan are intended to be treated as either (i) purchase rights granted under an "employee stock purchase plan," as that term is defined in Section 423(b) of the Internal Revenue Code (the "423(b) Plan"), or (ii) purchase rights granted under an employee stock purchase plan that is not subject to the terms and conditions of Section 423(b) of the Internal Revenue Code (the "Non-423(b) Plan"). We will retain the discretion to grant purchase rights under either the 423(b) Plan or the Non-423(b) Plan. Eligible employees may purchase a limited number of shares of common stock at no less than 85% of the fair market value of a share of common stock at prescribed purchase intervals during an offering period. Each offering period will be comprised of a series of one or more successive and/or overlapping purchase intervals and has a maximum term of 24 months. During 2015, 2014 and 2013 we issued 208,252, 111,402 and zero shares of common stock, respectively, under the 2013 Purchase Plan to our employees. The weighted-average fair value for purchase rights granted in 2015 under the 2013 Purchase Plan was $5.36 per share.

2013 Equity Incentive Plan

Under our 2013 Plan, the following awards types may be granted: stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares and units and other cash-based or stock-based awards. To date we have granted non-statutory stock options and restricted stock units. Restricted stock units represent rights to receive shares of our Series 1 common stock at a future date without payment of a purchase price. Holders of restricted stock units have no voting rights or rights to receive cash dividends unless and until shares of Series 1 common stock are issued in settlement of such awards. The compensation committee of our board of directors, or a committee appointed by the compensation committee, determines the term of the option, option price, number of shares for which each option and restricted stock unit is granted, whether restrictions will be imposed on the shares subject to the option or restricted stock unit, and the vesting period for each option and restricted stock unit. Awards granted under the 2013 Plan generally vest over four years. The term of each option is no more than ten years from grant date.

2007 Stock Plan

Options granted under the 2007 Plan are either incentive stock options or nonstatutory stock options. Our board of directors determined the term of the option, option price, number of shares for which each option was granted, whether restrictions were imposed on the shares subject to the option, and the vesting period for each option. Generally, options become 25% vested after one year of service, with the remaining 75% vesting on a pro-rata basis over the remaining three years. The term of each option is ten years from grant date.

Stock-based compensation expense for all employee share-based payment awards is based upon the grant date fair value. We recognize compensation costs, net of estimated forfeitures, on a straight-line basis over the requisite service period of the award. Forfeiture rates are estimated at grant date based on historical experience and adjusted in subsequent periods for differences in actual forfeitures from our previous estimates. We recorded $26.9 million, $24.5 million and $10.5 million of stock-based compensation expense for the years ended December 31, 2015, 2014 and 2013, respectively. We include stock-based compensation expense in cost and expenses consistent with the classification of respective employees' cash compensation in the consolidated statements of operations.

The fair value of stock options granted during the years ended December 31, 2015, 2014 and 2013 was estimated on the grant date using the Black-Scholes-Merton option pricing model. The weighted-average assumptions for stock options granted are outlined in the following table:

	Year Ended December 31,		
	2015	2014	2013
Expected volatility	50.62%	56.39%	60.27%
Expected term (in years)	6	6	6
Risk-free rate of return	1.76%	1.94%	1.34%
Expected dividend yield	—	—	—

Due to our short history as a public company, our expected volatility is based on the volatility of comparable publicly traded entities. The expected term represents the period of time the stock options are expected to be outstanding and is based on the "simplified method". We used the "simplified method" due to the lack of sufficient historical exercise data to provide a reasonable basis upon which to otherwise estimate the expected life of the stock options. The risk-free interest rate assumptions we use are based on observed market interest rates appropriate for the term of our stock options.

The following tables summarize the stock option activity of our 2007 Plan and 2013 Plan for the years ended December 31, 2015, 2014 and 2013:

Stock Options	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual (Years)	Aggregate Intrinsic Value (in thousands)	Weighted-Average Fair Value (per share)
Outstanding at December 31, 2012	4,672,510	$ 7.26	9.0	$ 52,588	$ 4.29
Granted	1,983,785	22.06			12.29
Exercised	(544,852)	3.70			3.54
Forfeited	(416,620)	11.46			7.05
Outstanding at December 31, 2013	5,694,823	$ 12.45	8.4	$ 94,474	$ 8.03
Granted	863,600	32.46			17.50
Exercised	(1,453,809)	8.00			5.31
Forfeited	(432,285)	19.36			11.53
Outstanding at December 31, 2014	4,672,329	$ 16.90	7.9	$ 15,799	$ 10.30
Granted	1,300,387	15.12			7.45
Exercised	(687,880)	8.53			6.31
Forfeited	(1,281,820)	21.99			12.64
Outstanding at December 31, 2015	4,003,016	$ 16.13	7.4	$ 5,625	$ 9.32
Vested at December 31, 2015 and expected to vest	3,606,226	$ 15.89	7.2	$ 5,577	
Exercisable at December 31, 2015	2,358,007	$ 14.14	6.5	$ 5,470	

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value that would have been received by the option holders had all option holders exercised their options on December 31, 2015, 2014 and 2013, respectively. The aggregate intrinsic value is determined by the fair value of our common stock and the per-share grant price.

The following table summarizes the restricted stock unit activity of the 2013 Plan for the years ended December 31, 2015, 2014 and 2013:

Restricted Stock Units	Number of Shares	Weighted-Average Remaining Vesting Term (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2012	—	—	—
Granted	54,579		
Issued	(500)		
Cancelled or Expired	—		
Outstanding at December 31, 2013	54,079	3.7	$ 1,557
Granted	1,621,593		
Issued	(19,040)		
Cancelled or Expired	(107,212)		
Outstanding at December 31, 2014	1,549,420	1.8	$ 22,653
Granted	2,901,042		
Issued	(388,048)		
Cancelled or Expired	(940,027)		
Outstanding at December 31, 2015	3,122,387	1.7	$ 30,974
Outstanding at December 31, 2015 and expected to vest	2,132,717	1.7	$ 21,157

The weighted average fair value at the date of grant for restricted stock units was $14.87 and $30.35 for the years ended December 31, 2015 and 2014, respectively.

The following table summarizes additional stock option and restricted stock unit values (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Intrinsic value of stock options exercised	$ 6,119	$ 39,641	$ 10,663
Intrinsic value of restricted stock units that vested	5,552	310	17
Grant date fair value of stock options exercised	4,337	7,720	1,929
Grant date fair value of restricted stock units that vested	11,739	567	17

As of December 31, 2015, $41.0 million of total unrecognized compensation cost related to stock options and restricted stock units is expected to be recognized over a weighted-average period of 2.7 years. As of December 31, 2015, 4,142,461 shares of our Series 1 common stock were available for grant under the 2013 Plan.

As of December 31, 2015, we had reserved shares of common stock for future issuance as follows (in thousands):

2007 Stock Incentive Plan	2,163
2013 Stock Incentive Plan	9,105
2013 Employee Stock Purchase Plan	1,310
	12,578

9. Earnings Per Share

Basic and diluted net income per common share is presented in conformity with the two-class method required for participating securities. Prior to our initial public offering, holders of preferred stock were each entitled to receive cumulative dividends payable prior and in preference to any dividends on any shares of our common stock. In the event a dividend was

paid on common stock, the holders of preferred stock were entitled to a proportionate share of any such dividend as if they were holders of common stock (on an as-if converted basis). Accordingly, all of our outstanding series of preferred stock were considered to be participating securities. The holders of our preferred stock did not have a contractual obligation to share in our losses; therefore, no amount of total undistributed loss is allocated to preferred stock.

The rights of the holders of Series 1 and Series 2 common stock are identical, except with respect to voting. Each share of Series 1 and Series 2 common stock is entitled to one vote per share; however holders of Series 2 common stock are not entitled to vote in connection with the election of the members of our board of directors. Shares of Series 2 common stock may be converted into shares of Series 1 common stock at any time at the option of the stockholder. As of December 31, 2015, no shares of Series 2 common stock were outstanding.

Under the two-class method, basic net income per share attributable to common stockholders is computed by dividing the net income attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Net income attributable to common stockholders is determined by allocating undistributed earnings, calculated as net income less current period preferred stock dividends, between common stock and preferred stock. In computing diluted net income attributable to common stockholders, undistributed earnings are re-allocated to reflect the potential impact of dilutive securities. Diluted net income per share attributable to common stockholders is computed by dividing the net income attributable to common stockholders by the weighted-average number of shares of common stock outstanding, including potential dilutive shares of common stock assuming the dilutive effect of outstanding stock options and warrants using the treasury stock method or if-converted method, whichever is more dilutive.

The following table sets forth the computation of basic and diluted earnings per share of common stock (in thousands, except per share amounts):

	Year Ended December 31,		
	2015	2014	2013
Numerator			
Net income	$ 11,848	$ 26,965	$ 31,530
Preferred stock dividends on participating preferred stock	—	—	(19,928)
Total undistributed earnings	11,848	26,965	11,602
Undistributed earnings allocated to participating preferred stock	—	—	(5,998)
Net income attributable to common stockholders	$ 11,848	$ 26,965	$ 5,604
Denominator			
Weighted average common shares outstanding - basic	53,076	53,792	23,074
Dilutive effect of stock options, restricted stock units, and Employee Stock Purchase Plan shares	1,023	1,519	2,668
Weighted average common shares outstanding - diluted	54,099	55,311	25,742
Net income per share attributable to common stockholders:			
Basic	$ 0.22	$ 0.50	$ 0.24
Diluted	$ 0.22	$ 0.49	$ 0.23

The following common equivalent shares were excluded from the diluted net income per share calculation, as their inclusion would have been anti-dilutive (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Stock options	2,937	1,538	112
Restricted stock units	983	839	—
Employee Stock Purchase Plan shares	175	34	—
Total	4,095	2,411	112

10. Fair Value Measurements

Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. Generally accepted accounting principles set forth a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The three tiers are Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop our own assumptions.

Assets and liabilities measured at fair value on a recurring basis are summarized below (in thousands):

	Fair Value Measurements at December 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market deposit accounts	$ 160,566	$ —	$ —	$ 160,566
Foreign exchange forward contract	$ —	$ 19	$ —	$ 19

	Fair Value Measurements at December 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market deposit account	$ 170,196	$ —	$ —	$ 170,196
Liabilities:				
Foreign exchange forward contract	$ —	$ —	$ —	$ —

Money market deposit accounts are reported on our consolidated balance sheets as cash and cash equivalents and derivative instruments are reported on our consolidated balance sheets as either prepaid assets and other current assets, net or accrued expenses and other current liabilities.

The fair value of our derivative instruments has been determined using pricing models that take into account the underlying contract terms, as well as all applicable inputs, such as currency rates. The derivative instruments have a fair value of $0.0 million and $0.0 million as of December 31, 2015 and 2014, respectively, because we entered into such instruments on those period-ending dates.

Our other financial instruments consist primarily of accounts receivable, accounts payable, accrued liabilities and notes payable. The carrying value of these assets and liabilities approximate their respective fair values as of December 31, 2015 and 2014 due to the short-term maturities, or in the case of our long-term notes payable, based on the variable interest rate feature.

As of December 31, 2015, we recorded a fair value adjustment to the identified intangible assets associated with one of our websites, Bons-de-Reduction.com, resulting in $2.3 million in impairment expense. See Note 3, "Goodwill and Other Intangible Assets." As of December 31, 2014 and 2013, no significant fair value adjustments were required for nonfinancial assets and liabilities.

11. Income Taxes

The components of pretax income for the years ended December 31, 2015, 2014 and 2013 were as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Domestic	$ 15,537	$ 37,671	$ 42,189
Foreign	5,318	8,717	8,232
Total	$ 20,855	$ 46,388	$ 50,421

The components of the provision for income taxes attributable to continuing operations are as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Current:			
Federal	$ 4,666	$ 16,291	$ 16,627
State	888	1,312	1,187
Foreign	4,302	5,989	3,905
Total current	9,856	23,592	21,719
Deferred:			
Federal	965	(3,090)	(1,161)
State	36	(384)	65
Foreign	(1,850)	(695)	(1,732)
Total deferred	(849)	(4,169)	(2,828)
Total provision for income taxes	$ 9,007	$ 19,423	$ 18,891

Cash paid for taxes, net of refunds, was $12.3 million, $10.2 million and $16.1 million during 2015, 2014 and 2013, respectively.

Our provision for income taxes attributable to continuing operations differs from the expected tax expense amount computed by applying the statutory federal income tax rate of 35% to income before income taxes as a result of the following (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Tax at U.S. statutory rate	$ 7,299	$ 16,236	$ 17,647
State tax provision, net of federal benefit	596	882	999
Stock-based compensation	1,134	661	1,701
Foreign tax rate differential	(775)	(2,734)	(1,038)
Research and development credits	(1,607)	(2,026)	(649)
Tax effects of corporate restructuring	825	3,475	—
Non-deductible expenses	1,044	1,640	1,053
Net increase in valuation allowance	525	999	—
Other	(34)	290	(822)
Income tax provision	$ 9,007	$ 19,423	$ 18,891

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of deferred taxes are as follows (in thousands):

	December 31, 2015	December 31, 2014
Deferred tax assets:		
Reserves and allowances	$ 2,485	$ 2,358
Tax carryforwards	1,524	1,332
Accrued expenses	1,296	1,319
Stock-based compensation	9,044	7,248
Deferred rent	1,277	1,360
Other	494	711
Total deferred tax assets	16,120	14,328
Deferred tax liabilities:		
Property and equipment	(4,954)	(3,550)
Intangibles	(9,475)	(8,769)
Other	(357)	(777)
Total deferred tax liabilities	(14,786)	(13,096)
Valuation allowance	(1,524)	(999)
Net deferred tax asset (liability)	$ (190)	$ 233

A valuation allowance is established if, based on the Company's review of both positive and negative evidence, it is more likely than not that all or a portion of the deferred tax asset will not be realized. We recorded a valuation allowance of approximately $1.5 million and $1.0 million at December 31, 2015 and 2014, respectively, related to the uncertainty of the utilization of certain state research and development tax credit carryforwards.

As of December 31, 2015, we had state research and development tax credit carryforwards of $1.9 million. These carryforwards expire between 2033 and 2035 if not utilized. As of December 31, 2015 and 2014, no provision has been made for U.S. income taxes and foreign withholding taxes related to undistributed earnings of our foreign subsidiaries of approximately $13.4 million, as those earnings are considered to be permanently reinvested outside the United States. As of both December 31, 2015 and 2014, we did not have an unrecognized deferred tax liability related to undistributed earnings of our foreign subsidiaries, as we have incurred foreign taxes during our 2014 global corporate restructuring which, if repatriated, would generate foreign tax credits sufficient to reduce additional taxes on repatriated earnings.

The exercise of certain of our stock options results in taxable compensation, which is includable in the taxable income of the exercising option holder and which we can deduct from our taxable income for federal and state income tax purposes. Such compensation results from increases in the fair value of our common stock subsequent to the date of grant of the exercised stock options. Option-related excess tax benefits (tax deduction over cumulative book deduction) are recorded as an increase to additional paid-in capital, while option-related tax deficiencies (cumulative book deduction over tax deduction) are recorded as a decrease to additional paid-in capital to the extent of our additional paid-in capital option pool, then to the income tax provision. For the year ended December 31, 2015, we recorded a decrease to additional paid-in capital of $2.5 million. For the years ended December 31 2014 and 2013, we recorded increases to additional paid-in capital of $11.1 million and $2.0 million, respectively.

We follow the guidance on accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The aggregate changes in the balance of unrecognized tax benefits for the years ended December 31, 2015, 2014 and 2013 were as follows, excluding interest and penalties (in thousands):

Balance at December 31, 2012	$	—
Increases for tax positions related to the current year		282
Increases for tax positions related to prior years		948
Balance at December 31, 2013	$	1,230
Increases for tax positions related to the current year		2,269
Increases for tax positions related to prior years		513
Decreases for tax positions related to prior years		(73)
Lapses in statutes of limitations		(10)
Balance at December 31, 2014	$	3,929
Increases for tax positions related to the current year		387
Increases for tax positions related to prior years		113
Decreases for tax positions related to prior years		(704)
Lapses in statutes of limitations		(37)
Balance at December 31, 2015	$	3,688

Included in the balance of unrecognized tax benefits at December 31, 2015 are $0.4 million of unrecognized tax benefits that are offset against related deferred tax assets for which a valuation allowance exists. If we were to recognize the unrecognized tax benefits, the benefit would be offset by a change in the valuation allowance and would not have an impact on the effective tax rate.

Our practice is to recognize interest and penalties related to unrecognized tax benefits as a component of income tax expense. In 2015, 2014 and 2013, we recognized interest and penalties of $0.4 million, $0.1 million, and $0.3 million, respectively, within income tax expense on our consolidated statements of operations. Amounts for interest and penalties accrued are included within the related tax liability line in the consolidated balances sheets and were $0.8 million and $0.4 million for the years ended December 31, 2015 and 2014, respectively.

We file U.S., state and foreign income tax returns in jurisdictions with varying statutes of limitations. As of December 31, 2015, in the United States, the tax years 2012 through 2015 remain open to examination in the federal jurisdiction and most state jurisdictions. We are under examination by the Internal Revenue Service for our 2013 tax year. We believe that adequate amounts have been reserved for any adjustments that may ultimately result from this examination. Additionally, various foreign income tax returns are subject to examinations for years 2012 through 2015. For uncertain tax positions as of December 31, 2015, we do not anticipate that the total amounts of unrecognized tax benefits will significantly increase or decrease within the coming year.

As of December 31, 2015, the unamortized tax effects of corporate restructuring transactions of $0.6 million and $1.8 million are included within “Prepaids and other current assets, net “ and “Other assets, net,” respectively, on the consolidated balance sheet. As of December 31, 2015, the estimated future amortization of the tax effects of corporate restructuring transactions to income tax expense is $0.6 million for 2016 and $1.8 million, cumulatively, for the years 2017 through 2020. These amounts exclude the benefits, if any, for tax deductions in other jurisdictions that we may be entitled to as a result of the related corporate restructuring transactions.

12. Domestic and Foreign Operations

The Company has operations in the U.S. and Europe. Information about these operations is presented below (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Net Revenues:			
U.S.	$ 195,788	$ 206,865	$ 166,532
United Kingdom	36,358	36,752	31,296
Other International	16,969	21,066	12,008
Total Net Revenues	$ 249,115	$ 264,683	$ 209,836

	As of December 31,	
	2015	2014
Identifiable tangible long-lived assets:		
U.S.	$ 19,356	$ 15,494
United Kingdom	617	753
Other International	1,409	702
Total identifiable tangible long-lived assets	$ 21,382	$ 16,949

Net revenues attributed to the U.S. and international geographies are based upon the country in which the selling subsidiary of the Company is located.

Identifiable tangible long-lived assets attributed to the U.S. and international geographies are based upon the country in which the asset is located or owned.

13. Employee Benefit Plans

401(k) Plan

We have established a tax-qualified employee savings and retirement plan for all employees in the U.S. who satisfy certain eligibility requirements, including requirements relating to age and length of service. Under our 401(k) plan, employees may elect to reduce their current compensation by up to the statutory limit, $18,000 in 2015, and $17,500 in 2014 and 2013, and have us contribute the amount of this reduction to the 401(k) plan. We currently match up to 58% of employee contributions, but not exceeding $9,275 per employee. Our contributions for the years ended December 31, 2015, 2014 and 2013 were $1.3 million, $1.3 million and $0.9 million, respectively.

14. Related Party Transactions

On December 26, 2013, we entered into an agreement with a domain registry company and certain of its subsidiaries. We agreed to pay the domain registry company $4.3 million for second level domains, or SLDs, contingent upon the domain registry company becoming the registry operator for such domains. In April 2015, we used $4.3 million to purchase the SLDs from the domain registry company pursuant to the terms of our agreement. An investment fund holds more than 10% of the outstanding capital stock of the domain registry company and held more than 5% of a class of our voting securities as of March 3, 2015. In addition, during the period in which the agreement with the domain registry company was entered into and as of the date the purchase of the SLDs was completed, a member of our board of directors was a general partner of the entity that indirectly is the general partner of the investment fund.

15. Subsequent Events

In February 2016, our board of directors authorized the repurchase of an additional $50 million worth of shares of our Series 1 common stock, increasing the total authorized amount under our share repurchase program implemented in February 2015 to $150 million. The share repurchase program is authorized through February 2017.

During the period between January 1, 2016 and February 5, 2016, we have repurchased an additional 2,699,204 shares of Series 1 common stock at an aggregate purchase price of $23.7 million.

16. Selected Quarterly Financial Data (unaudited)

	For the Three Months Ended:							
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
	(in thousands, except per share amounts)							
Net revenues	$ 61,270	$ 59,506	$ 56,470	$ 87,437	$ 60,384	$ 53,180	$ 52,412	$ 83,139
Gross margin	56,840	54,858	51,872	82,496	55,038	48,004	47,901	78,268
Net income (loss)	6,075	4,326	2,528	14,036	4,059	(1,591)	343	9,037
Net income (loss) per share:								
Basic	0.11	0.08	0.05	0.26	0.08	(0.03)	0.01	0.17
Diluted	0.11	0.08	0.05	0.26	0.07	(0.03)	0.01	0.17
Weighted-average number of shares used in computing net income (loss) per share:								
Basic	53,149	53,791	53,999	54,160	54,029	53,482	53,037	51,782
Diluted	55,562	55,377	55,086	55,041	55,035	53,482	53,744	52,406

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
2.1	Asset Purchase Agreement for the purchase of RetailMeNot.com, dated November 24, 2010.	DRS	377-00145	2.1	April 5, 2013
2.2	Agreement Relating to the Sale and Purchase of the Entire Issued Share Capital of eConversions Limited, dated August 15, 2012.	DRS	377-00145	2.2	April 5, 2013
3.1.1	Fifth Amended and Restated Certificate of Incorporation dated May 9, 2013.	DRS	377-00145	3.1.1	April 5, 2013
3.1.2	Certificate of Amendment to Fifth Amended and Restated Certificate of Incorporation, dated September 12, 2013.	DRS	377-00145	3.1.2	April 5, 2013
3.1.3	Second Certificate of Amendment to Fifth Amended and Restated Certificate of Incorporation, dated March 8, 2013.	DRS	377-00145	3.1.3	April 5, 2013
3.1.4	Third Certificate of Amendment to Fifth Amended and Restated Certificate of Incorporation, dated April 4, 2013.	DRS	377-00145	3.1.4	April 5, 2013
3.1.5	Fourth Certificate of Amendment to Fifth Amended and Restated Certificate of Incorporation, dated June 12, 2013.	S-1	333-189397	3.1.5	June 17, 2013
3.2	Form of Sixth Amended and Restated Certificate of Incorporation of the Registrant.	S-1/A	333-189397	3.2	July 8, 2013
3.3	Bylaws of the Registrant.	S-1/A	333-189397	3.4	July 8, 2013
4.1.1	Third Amended and Restated Investors' Rights Agreement dated October 28, 2012.	DRS	377-00145	4.1.1	April 5, 2013
4.1.2	Amendment to Third Amended and Restated Investors' Rights Agreement dated May 10, 2013.	DRS	377-00145	4.1.2	April 5, 2013
4.1.3	Second Amendment to Third Amended and Restated Investors' Rights Agreement and Waiver of Registration Rights dated December 6, 2013.	S-1/A	333-192632	4.1.3	December 9, 2013

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.1	Form of Indemnification Agreement for directors and officers.	DRS/A	377-00145	10.1	May 13, 2013
10.2.1†	2007 Stock Plan and forms of agreement thereunder.	DRS/A	377-00145	10.2.1	May 13, 2013
10.2.2†	First Amendment to the 2007 Stock Plan.	DRS	377-00145	10.2.2	April 5, 2013
10.2.3†	Second Amendment to the 2007 Stock Plan.	DRS	377-00145	10.2.3	April 5, 2013
10.2.4†	Third Amendment to the 2007 Stock Plan.	DRS	377-00145	10.2.4	April 5, 2013
10.2.5†	Fourth Amendment to the 2007 Stock Plan.	DRS	377-00145	10.2.5	April 5, 2013
10.2.6†	Fifth Amendment to the 2007 Stock Plan.	DRS	377-00145	10.2.6	April 5, 2013
10.2.7†	Sixth Amendment to the 2007 Stock Plan.	DRS	377-00145	10.2.7	April 5, 2013
10.3†	Form of the Registrant's 2013 Bonus Plan for Officers dated May 22, 2013.	DRS	377-00145	10.3	April 5, 2013
10.4.1	Term Loan Agreement by and among Comerica Bank, as administrative agent for the lenders named therein, and the Registrant *et al*, dated November 24, 2010.	DRS	377-00145	10.4.1	April 5, 2013
10.4.2	First Amendment to Term Loan Agreement.	DRS	377-00145	10.4.2	April 5, 2013
10.4.3	Second Amendment to Term Loan Agreement.	DRS	377-00145	10.4.3	April 5, 2013
10.4.4	Third Amendment to Term Loan Agreement.	DRS	377-00145	10.4.4	April 5, 2013
10.4.5	Fourth Amendment to Term Loan Agreement.	DRS	377-00145	10.4.5	April 5, 2013
10.4.6	Fifth Amendment to Term Loan Agreement.	DRS	377-00145	10.4.6	April 5, 2013
10.4.7	Sixth Amendment to Term Loan Agreement.	DRS	377-00145	10.4.7	April 5, 2013
10.4.8	Amended and Restated Revolving Credit and Term Loan Agreement by and among Comerica Bank, as administrative agent for the lenders named therein, and the Registrant *et al*, dated July 1, 2013.	S-1/A	333-189397	10.4.8	July 18, 2013
10.4.8.1	First Amendment to Amended and Restated Revolving Credit and Term Loan Agreement, dated December 11, 2013.	S-1/A	333-192632	10.4.8.1	December 11, 2013
10.4.8.2	Second Amendment to Amended and Restated Revolving Credit and Term Loan Agreement, dated February 26, 2014.	8-K	001-36005	1.1	March 3, 2014
10.4.8.3	Second Amended and Restated Revolving Credit and Term Loan Agreement, dated December 23, 2014.	8-K	001-36005	1.1	December 29, 2014

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date
10.4.9	Security Agreement by and among Comerica Bank, as administrative agent for the lenders named therein, the Registrant, Spectrawide Acquisition Co., LLC, CSB Acquisition Co., LLC, CLTD Acquisition Co., LLC, Smallponds, LLC, Deals.com, LLC, RNOT, LLC and WSM CV, LLC, dated July 1, 2013.	S-1/A	333-189397	10.4.9	July 18, 2013
10.5	Intellectual Property Security Agreement by and among the Registrant, Comerica Bank, Spectrawide Acquisition Co., LLC, Spectrawide Inc., CSB Acquisition Co., LLC, CLTD Acquisition Co., LLC, Smallponds, LLC, Deals.com, LLC and RMN Acquisition Co., LLC, dated November 24, 2010.	DRS	377-00145	10.5	April 5, 2013
10.5.1	Intellectual Property Security Agreement by and among Comerica Bank, as administrative agent for the lenders named therein, the Registrant, Spectrawide Acquisition Co., LLC, CSB Acquisition Co., LLC, CLTD Acquisition Co., LLC, Smallponds, LLC, Deals.com, LLC, RNOT, LLC and WSM CV, LLC, dated July 1, 2013.	S-1/A	333-189397	10.5.1	July 18, 2013
10.6.1	Lease Agreement by and between the Registrant and NOP 301 Congress LP, dated May 24, 2012.	DRS	377-00145	10.6.1	April 5, 2013
10.6.2	Amendment No. 1 to Lease Agreement by and between the Registrant and NOP 301 Congress LP, dated November 14, 2012.	DRS	377-00145	10.6.2	April 5, 2013
10.6.3	Amendment No. 2 to Lease Agreement by and between the Registrant and NOP 301 Congress LP, dated November 9, 2013.	DRS	377-00145	10.6.3	April 5, 2013
10.6.4	Amendment No. 3 to Lease Agreement by and between the Registrant and NOP 301 Congress LP, dated January 21, 2013.	S-1/A	333-189397	10.6.4	July 16, 2013
10.6.5	Amendment No. 4 to Lease Agreement by and between the Registrant and NOP 301 Congress LP, dated August 19, 2015	8-K	001-36005	10.1	August 25, 2015
10.7.1	Counterpart Lease Agreement by and among Northburgh House Limited, eConversions Limited and RetailMeNot UK Ltd., dated June 24, 2012.	DRS	377-00145	10.7.1	April 5, 2013
10.7.2	Termination of Lease Agreement by and among Northburgh House Limited, eConversions Limited and RetailMeNot UK Ltd., dated February 1, 2013, and effective as of August 10, 2013.	DRS	377-00145	10.7.2	April 5, 2013
10.8.1	Underlease, dated 1/10/07, amongst Billingford Investments Limited, Braiseworth Investments Limited and Carlton Communications Limited, dated January 10, 2007.	DRS	377-00145	10.8.1	April 5, 2013
10.8.2	Agreement for the Assignment of the Underlease, between Carlton Communications Limited and the Registrant, dated March 11, 2013.	DRS	377-00145	10.8.2	April 5, 2013
10.9.1	Lease Agreement by and between MIWIMMO, Société Civile Immobilière (a real estate company) and MIWIM, Société à Responsabilité Limitée (a limited liability company), dated September 23, 2009.	DRS	377-00145	10.9.1	April 5, 2013
10.9.2	Amendment to Lease by and between MIWIMMO, Société Civile Immobilière (a real estate company) and MIWIM, Société à Responsabilité Limitée (a limited liability company), dated December 31, 2010.	DRS	377-00145	10.9.2	April 5, 2013

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date
10.10†	Employment Agreement between the Registrant and G. Cotter Cunningham, dated effective as of March 1, 2013.	DRS	377-00145	10.10	April 5, 2013
10.11†	Employment Agreement between the Registrant and Kelli A. Beougher, dated effective as of March 1, 2013.	DRS	377-00145	10.11	April 5, 2013
10.12†	Employment Agreement between the Registrant and Paul M. Rogers, dated effective as of March 1, 2013.	DRS	377-00145	10.13	April 5, 2013
10.13†	Employment Agreement between the Registrant and Louis J. Agnese, III, dated effective as of March 1, 2013.	DRS	377-00145	10.14	April 5, 2013
10.13.1†	Amendment to Employment Agreement between the Registrant and Louis J. Agnese, III dated effective as of October 15, 2013.	S-1	333-192632	10.14.1	December 2, 2013
10.13.2†	Second Amendment to Employment Agreement between the Registrant and Louis J. Agnese, III dated effective as of February 13, 2013.	10-K	001-36005	10.14.2	February 18, 2014
10.14†	Employment Agreement between the Registrant and Jagjit S. Bath, dated effective as of March 1, 2013.	DRS	377-00145	10.15	April 5, 2013
10.15†	Employment Agreement between the Registrant and Jillian L. Balis, dated effective as of March 1, 2013.	DRS	377-00145	10.16	April 5, 2013
10.16	Commission Junction Publisher Service Agreement dated November 16, 2010, as assigned to RNOT, LLC pursuant to the Assignment and Assumption Amendment dated November 24, 2010.	DRS	377-00145	10.17	April 5, 2013

		Incorporated by Reference			
Exhibit Number	Exhibit Description	Form	File No.	Exhibit	Filing Date
10.17	LinkShare Corporation Publisher Membership Agreement, as assigned to the Registrant and RNOT, LLC pursuant to the Consent to Assignment of Agreement dated November 24, 2010.	DRS	377-00145	10.18	April 5, 2013
10.18†	2013 Equity Incentive Plan.	S-1/A	333-189397	10.20	July 8, 2013
10.19†	2013 Employee Stock Purchase Plan.	S-1/A	333-189397	10.21	July 8, 2013
10.20†	Board Offer Letter between the Registrant and Brian H. Sharples, dated as of July 11, 2012.	DRS/A	377-00145	10.22	May 13, 2013
10.21†	Board Offer Letter between the Registrant and Greg J. Santora, dated as of April 24, 2013.	DRS/A	377-00145	10.23	May 13, 2013
10.22†	Employment Agreement between the Registrant and Steven T. Pho, dated effective as of March 1, 2013.	S-1	333-192632	10.24	December 2, 2013
10.22.1†	Amendment to Employment Agreement between the Registrant and Steven T. Pho, dated effective as of October 15, 2013.	S-1	333-192632	10/24/2001	December 2, 2013
10.22.2†	Second Amendment to Employment Agreement between Registrant and Steven T. Pho, dated effective as of February 13, 2013.	10-K	001-36005	10/23/2002	February 18, 2014
10.23†	Employment Agreement between the Registrant and Jonathan B. Kaplan, dated effective as of August 7, 2015.	10-Q	001-36005	10.2	November 6, 2015
10.24†	Employment Agreement between the Registrant and J. Scott Di Valerio, dated effective as of December 29, 2015.	8-K	001-36005	10.1	January 4, 2016
10.25†	Board Offer Letter between the Registrant and Gokul Rajaram, dated as of September 13, 2013.	10-K	001-36005	10.24	February 18, 2014
10.26†	Board Offer Letter between the Registrant and Eric Korman, dated as of August 8, 2014.	10-K	001-36005	10.27	February 25, 2015
10.27†	RetailMeNot, Inc. 2013 Bonus Plan (Director Level & Up).	10-K	001-36005	10.25	February 18, 2014
10.28†	RetailMeNot, Inc. 2014 Bonus Plan.	8-K	001-36005	10.1	February 18, 2014
10.29†	RetailMeNot, Inc. 2015 Bonus Plan.	8-K	001-36005	10.1	February 10, 2015
10.30†	Employment Agreement between the Registrant and Marissa Tarleton, dated effective as of October 5, 2015				
10.31†	Employment Agreement between the Registrant and Michael Magaro, dated effective as of November 1, 2015				
10.32†	Board Offer Letter between the Registrant and Tamar Yehoshua, dated as of December 7, 2015				
14.1	Code of Business Conduct and Ethics.				
21.1	List of Subsidiaries of the Registrant.				
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.				
24.1	Power of Attorney (see page 70 of this Annual Report on Form 10-K).				

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
31.1	Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of The Sarbanes-Oxley Act of 2002.				
31.2	Certification of Principal Financial Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of The Sarbanes-Oxley Act of 2002.				
32.1	Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350 as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.				
32.2	Certification of Principal Financial Officer Required under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350 as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.				
101.INS	XBRL Instance Document.				
101.SCH	XBRL Taxonomy Extension Schema.				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.				
101.LAB	XBRL Taxonomy Extension Label Linkbase.				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.				
101.DEF	XBRL Taxonomy Extension Definition Linkbase.				

† Management contract, compensatory plan or arrangement.

EXHIBIT E

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2016

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-36005

RETAILMENOT, INC.
(Exact name of registrant as specified in its charter)

Delaware	**26-0159761**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

301 Congress Avenue, Suite 700
Austin, Texas 78701
(512) 777-2970
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Series 1 common stock, par value $0.001 per share	The NASDAQ Global Select Market LLC

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐		Accelerated filer	☒
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

Based on the closing price of the registrant's common stock on the last business day of the registrant's most recently completed second fiscal quarter, which was June 30, 2016, the aggregate market value of its common stock held by non-affiliates on that date was $317,172,122.

As of January 31, 2017, 47,855,499 shares of the registrant's Series 1 Common Stock were outstanding.

Documents incorporated by reference:

The information required by Part III of this Report, to the extent not set forth herein, is incorporated herein by reference from the Proxy Statement relating to our 2017 annual meeting of shareholders, which shall be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Report relates.

TABLE OF CONTENTS

PART 1

Forward Looking Statements

Except for the historical financial information contained herein, the matters discussed in this report on Form 10-K (as well as documents incorporated herein by reference) may be considered "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements include declarations regarding the intent, belief or current expectations of RetailMeNot, Inc. and its management and may be signified by the words "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "seek," "should," "target," "will," "would" or similar language (or the negative of these terms). You are cautioned that any such forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties. Actual results could differ materially from those indicated by such forward-looking statements. Factors that could cause or contribute to such differences include those discussed under Part 1, Item 1A:"Risk Factors" and elsewhere in this report. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 1. Business.

Company Overview

We operate a leading savings destination, connecting consumers with retailers, restaurants and brands, both online and in-store. In 2016, our marketplace featured more than 700,000 digital offers each month. Digital offers are offers, offer codes and brand or category specific discounts made available online or through mobile applications that are used by consumers to make online or in-store purchases directly from merchants. We define merchants to include retailers, restaurants and brands, but excluding grocery retailers. Digital offers can include coupons, sales, consumer tips, advertisements, discounted digital and physical gift cards redeemable at merchants or cash-back rebates associated with the purchase of a product or a consumer action. Our websites, mobile applications, email newsletters and alerts and social media presence enable consumers to search for, discover and redeem hundreds of thousands of relevant digital offers from paid merchants, or merchants with which we had a contract in 2016. Our marketplace features digital offers across multiple product categories, including clothing; electronics; health and beauty; home and office; travel, dining and entertainment; personal and business services; and shoes. We believe our investments in digital offer content quality, product innovation and direct merchant relationships allow us to offer a compelling experience to consumers looking to save money.

We believe we are a trusted partner to paid merchants. We provide our paid merchants access to a large and engaged consumer audience. We help paid merchants drive sales and acquire new customers online and in-store through our websites and mobile applications. In addition, our pay-for-performance model, from which a substantial majority of our revenues are derived, enables us to structure mutually beneficial relationships with our paid merchants. These arrangements provide our paid merchants control and flexibility with respect to their marketing spend and, in many cases, result in payment of a commission to us only after a sale is made. We also enter into additional types of arrangements with our paid merchants, including flat fee arrangements and CPM, or cost per thousand impression, arrangements.

Our results from 2016 include the following:

- Net revenues for 2016 were $280.4 million, an increase of 12.6% from $249.1 million in 2015. This increase is primarily attributable to a $43.5 million increase in net revenues from our Gift Card segment, offset by a $12.2 million decrease in net revenues from our Core segment.
- Net income for 2016 was $2.0 million, an 83.4% decrease from $11.8 million in 2015. The decrease in net income is primarily attributable to the $12.2 million decrease in net revenues from our Core segment and the investments being made to grow our in-store and advertising business and scale our gift card business.
- Adjusted EBITDA for 2016 was $61.3 million, a 14.8% decrease from $71.9 million in 2015.
- Total visits to our desktop and mobile websites for 2016 were approximately 650 million, a 9.5% decrease from 718 million visits in 2015. Visits to our mobile websites represented approximately 46% and 41%, respectively, of the total visits to our websites in 2016 and 2015.
- During the three months ended December 31, 2016, we averaged approximately 23.1 million mobile unique visitors per month, essentially flat to the approximately 23.2 million mobile unique visitors per month during the three months ended December 31, 2015.

See Part II, Item 6: "Selected Financial Data," for further discussion of adjusted EBITDA, our use of this measure, the limitations of this measure as an analytical tool, and the reconciliation of adjusted EBITDA to net income, the most directly comparable GAAP financial measure.

Our Strategy

Our objective is to become the leading savings destination, both online and in-store. Our 2017 strategies to achieve this goal include:

Enhance the ease of use of our marketplace. Innovation is a key element of our strategy, and we will continue to make significant investments in research and development to further improve our user interface, solution and platform integration, features and functionality on our desktop and mobile websites and mobile applications, as well as our data collection and analytic capabilities.

Increase the likelihood that a consumer will save each time they visit. We intend to make it easier for consumers to save each time they visit our marketplace. We expect to accomplish this principally by adding cash-back rebates to incentivize consumers to transact with merchants and increasing the selection and inventory of discounted digital and physical gift cards for purchase at leading paid merchants We also plan to make other enhancements to our websites and mobile applications, including efforts to minimize friction in consumers' shopping experience with digital offers from start to finish and providing our paid merchants with solutions that increase consumer sales. In 2016, we acquired GiftcardZen Inc, a secondary marketplace for gift cards. This acquisition has significantly expanded the discounted digital and physical gift card content available to the users of our RetailMeNot.com website and mobile application. We believe that discounted gift cards and cash-back rebates are differentiated content that will delight consumers by offering new savings opportunities. This in turn, should increase the frequency with which consumers use our marketplace and may enhance our value to consumers during more stages of their shopping journey.

Enhance the breadth of available offers. We intend to continue to expand our offering of cash-back rebates and loyalty programs to incentivize consumers to transact with our paid merchants. We believe that this differentiated content will delight consumers by offering new savings opportunities. This in turn, should increase the frequency with which consumers use our solutions and improve monetization of those solutions. Cash-back rebates also enhance the value of our marketplace to our paid merchants by allowing them to more efficiently target their promotions.

Leverage our consumer audience to expand advertising reach for our paid merchants. We also aim to further strengthen our value proposition for paid merchants by expanding our advertising solutions. We continue to enhance the technology powering our advertising solutions, improving our ability to serve targeted advertising to visitors to our websites and users of our mobile applications. We also plan to continue to leverage our sales force to expand the breadth and depth of merchants utilizing our advertising products.

Pursue strategic acquisitions. We intend to continue pursuing expansion opportunities in existing and new markets, as well as in core and adjacent categories and complementary technology through strategic acquisitions.

Our Products and Services

We operate a leading savings destination, both online and in-store. We offer products and services to allow consumers to save money and for paid merchants to generate sales.

Products and Services for Consumers

Our product development approach is centered on building products that enable consumers to discover quality digital offers, virtually anytime and anywhere, and redeem them online or in-store. Our products and services for consumers are free of charge and available through our websites and mobile applications.

Websites. We offer our consumers hundreds of thousands of digital offers from tens of thousands of merchants across multiple product categories. We aggregate digital offers available from paid merchants, performance marketing networks, our large user community, our employees and outsourced providers, including digital offers exclusive to our marketplace. In 2016, more than two-thirds of the digital offers featured in our marketplace were submitted by users or sourced internally by us. The remainder of the digital offers featured in our marketplace were provided through performance marketing networks. In the year ended December 31, 2016, our marketplace featured digital offers from over 70,000 merchants, and we had contracts with more than 12,000 paid merchants.

Consumers visiting our websites search for and discover digital offers based on retailer name, product, category, digital offer type, popularity, success rate and other characteristics. Once a consumer discovers a relevant online digital offer, the consumer clicks on that digital offer and is typically directed to the website of the merchant, where the consumer can purchase products and redeem the digital offer. Consumers can redeem these digital offers in-store by simply scanning the barcode at the merchant's register or by having the sales associate enter the promotional code shown on the consumer's mobile screen into their point-of-sale system. Additionally, consumers can purchase discounted digital and physical gift cards directly from us via our RetailMeNot.com and GiftcardZen.com websites.

Mobile applications. Our mobile applications allow consumers to shop when they want, where they want. Consumers use our mobile applications to discover, store for use later and access the digital offers they want and to redeem them both online and in-store. They can browse top digital offers, popular stores and product category listings. Our mobile applications also allow users to share digital offers with others via email, text message or through social media channels. Consumers are able to discover food and dining content, store their coupons and gift cards in a centralized mobile wallet, and visually navigate deals from stores at their local malls. In addition, utilizing location-based technology, the RetailMeNot mobile applications notify consumers of savings opportunities when they are shopping near shopping malls and centers by sending consumers alerts for digital offers that can be used in these locations. Once a consumer discovers a relevant online digital offer, the consumer clicks on that digital offer and is typically directed to the website of the respective retailer, where the consumer can purchase products and redeem the digital offer. Consumers also can redeem certain of these digital offers in-store by simply scanning the barcode at the retailer's register or by having the sales associate enter the promotional code shown on the consumer's mobile screen into their point-of-sale system. Additionally, consumers can purchase discounted digital gift cards directly from us via our RetailMeNot mobile applications.

Email newsletters and alerts. Consumers can subscribe to receive our periodic email newsletters and alerts. Our email newsletters allow consumers to stay informed about featured digital offers, while our alerts notify consumers when digital offers from their preferred merchants become available.

- Email newsletters: Our newsletters are sent several times a week and typically include the top digital offers for featured merchants. A portion of these newsletters feature digital offers that are targeted to our consumers based on their past activity on our websites, their affinity for certain merchants or certain types of shopping categories and other proprietary data about the user.
- Alerts: Our alerts provide consumers with new digital offers for their favorite merchants as they become available.

Products and Services for Paid Merchants

We provide paid merchants with access to a large and engaged consumer audience.

Multichannel access to a large consumer audience. We provide paid merchants access to a large marketplace dedicated to digital offers, offering a large and engaged audience of consumers with intent to purchase. In 2016, we had more than 650 million visits to our websites and during the three month period ending December 31, 2016, averaged approximately 23.1 million mobile unique visitors each month. We also had approximately 53.6 million email subscribers as of December 31, 2016.

Paid merchants can access new consumers through multiple channels online on our websites and mobile applications, by email newsletters and alerts and our social media presence, and in-store by displaying a digital offer on a mobile device or presenting a printed offer. We allow merchants to provide consistent digital offers across these multiple channels. Additionally, we offer a wide range of digital offer types for merchants to help drive their desired outcomes. For example, in 2016 we expanded our cash-back rebates onto certain of our websites and mobile applications. We believe this digital offer type appeals both to our traditional retail partners as well as to brands because it allows them to provide discounts directly to consumers that are not specific to a particular retailer. We believe this content type also appeals to merchants that do not traditionally use coupons and with which we did not traditionally have a paid relationship. The variety of solutions available in our marketplace, in our view, provides merchants with a differentiated platform to drive brand recognition and sales.

Advertising. We provide our paid merchants with a variety of advertising opportunities to increase the impact of their digital offer campaigns. Our most common advertising opportunities include prominent placement within the top digital offer listings of our homepage, our category pages, our email newsletter, solo retailer newsletter campaigns and on the landing page of our mobile websites and applications. We also offer digital circulars and product showcases, which provide our paid merchants the opportunity to display digital offers with brand imagery through our websites and mobile applications. We are able to assist our paid merchants in identifying users likely to engage with their digital offers through analysis of the data we

collect related to our users' preferences and shopping habits. We typically charge a flat fee for these advertising opportunities on a campaign basis for a given period of time. Advertising rates may vary depending upon the distribution channel, seasonality, placement prominence, traffic and the length of time a paid merchant runs an advertisement through our marketplace.

Our Websites, Mobile Applications and Brands

We operate a portfolio of digital offer websites and mobile applications that span multiple geographic locations and languages. We acquired the majority of the websites we operate today and have typically maintained the brand name we acquired in each local market given the brand awareness of each website created prior to our acquisition. Each of these websites and mobile applications provides the same core set of solutions: consumers use these websites and mobile applications at no charge to search for and discover digital offers they can redeem online or in-store with leading paid merchants, as well as purchase discounted digital and physical gift cards.

In 2016, our primary websites and mobile applications included:

Website	Mobile Applications	Geographic Location Served	Language	Focus
RetailMeNot.com	iPhone & Android	U.S.	English	Online and In-Store Offers
GiftcardZen.com	None	U.S.	English	Gift Cards
VoucherCodes.co.uk	iPhone & Android	U.K.	English	Online and In-Store Offers
Poulpeo.com	iPhone & Android	France	French	Online Offers with Cash Back
Ma-Reduc.com	iPhone & Android	France	French	Online Offers
Actiepagina.nl	None	Netherlands	Dutch	Online Offers
RetailMeNot.de	None	Germany	German	Online Offers
RetailMeNot.ca	None	Canada	English	Online Offers
RetailMeNot.es	None	Spain	Spanish	Online Offers
RetailMeNot.it	None	Italy	Italian	Online Offers
RetailMeNot.pl	None	Poland	Polish	Online Offers

In December 2016 we decided to no longer support certain of our European websites, including Actiepagina.nl, RetailMeNot.de, RetailMeNot.es, RetailMeNot.it and RetailMeNot.pl, in order to focus on the other geographies that our websites and mobile applications serve.

Technology and Infrastructure

Product development and innovation are core pillars of our strategy. Our product team works to regularly deliver innovative products and features in an effort to provide the best possible consumer experience and drive sales for paid merchants. The responsibilities of our product team span the lifecycle of identifying consumer and paid merchant needs, defining and designing products, testing, developing go-to-market strategies, and measuring the performance of new products and features. The team is focused on enhancing our core solutions, optimizing the user experience for consumers, and building better business results for our paid merchants. We provide our online and mobile solutions using a combination of in-house and third-party technology solutions and products.

We have developed proprietary systems architecture for use in creating, maintaining and operating our websites and mobile applications. This technology consists of internal development by our staff of designers and engineers and makes use of software acquired or licensed from outside developers and companies. Our systems are designed to serve consumers and our paid merchants' operations teams in an automated and scalable fashion. Our software is comprised of four major areas:

- public facing websites and mobile applications;
- content quality management systems;
- data management and reporting; and
- infrastructure tools.

As of December 31, 2016, our websites and mobile applications are hosted in the U.S., U.K., France, Ireland and the Netherlands using a combination of third-party co-location hosting centers and cloud-based hosting services. Our systems architecture has been designed to manage increases in traffic on our websites and mobile applications through the addition of server and network hardware without making software changes. Our third-party data centers provide our websites, mobile applications and online tools with scalable and redundant Internet connectivity and redundant power and cooling to our hosting environments. We use security methods in an effort to ensure the integrity of our networks and to protect confidential data collected and stored on our servers. For example, we use firewall technology to protect access to our networks and to our servers and databases on which we store confidential data. We have developed and use internal policies and procedures to protect the personal information of our users. We test for unauthorized external access to the network daily using automated services and conduct periodic audits performed by outsourced security consultants.

Competition

The market to attract consumers seeking to save money on purchases online and in-store, and merchants seeking to drive sales and acquire new customers is highly competitive, fragmented and rapidly changing with limited barriers to entry.

Our competition for traffic from consumers seeking to save money on online or in-store purchases includes digital offer websites and mobile applications, cash-back, loyalty and discounted gift card websites and mobile applications, merchants, search engines, social networks, comparison shopping websites, newspapers and direct mail campaigns. We believe that our primary competition is from other digital offer websites, including Goodsearch, dealspl.us, bradsdeals, savings.com, Tech Bargains and Coupon Cabin. In addition to such competitors, we are experiencing increasing competition from other businesses that offer digital offers similar to ours as an add-on to their core business. For example, Groupon, Living Social, Coupons.com and Facebook provide digital offers, Google promotes product-listing advertisements adjacent to its search results and Google, Facebook and PayPal provide digital offers for in-store purchases. Further, with the introduction of cash-back rebates and discounted digital gift cards, we now compete with businesses that provide similar offerings, including eBates, Raise, Cardcash and Cardpool. While some of our actual and potential competitors enjoy substantial competitive advantages over us, such as superior name recognition, substantially greater financial, technical and other resources and longer history of competing in relevant geographies, we believe that we compete favorably based on our leadership position in digital offers, our strong brand awareness, our broad selection and quality of digital offers from leading merchants, our trusted partnerships with paid merchants and our large community of actively engaged users.

Merchants have a number of marketing options to choose from when deciding how to reach consumers. Our competition for marketing spend includes digital offer sites that offer a pay-for-performance model, search engines and social networks that compete for online advertising spend and television, magazines and newspapers that compete for offline advertising spend. We believe the principal factors that make us appealing in the competition for merchants' marketing spend include our large and engaged audience of consumers, our multichannel engagement across online, mobile, social and in-store, our trusted marketplace that protects merchants, and our pay-for-performance model that provides merchants measurable return on investment, reporting and analytics.

Intellectual Property

Our intellectual property includes the content of our websites, our registered domain names, our registered and unregistered trademarks and our patent applications. We believe that our intellectual property is an important asset of our business and that our RetailMeNot.com, VoucherCodes.co.uk, Poulpeo.com, Ma-Reduc.com, RetailMeNot.ca, GiftcardZen.com and other domain names and our technology infrastructure give us a competitive advantage in the digital offer market. We rely on a combination of trademark, copyright and trade secret laws in the U.S. and Europe, as well as contractual provisions, to protect our proprietary technology and our brands. We currently have trademarks registered or pending in the U.S., Europe, Australia, Canada, India, Pakistan, South Korea, Singapore, and China for our name and certain words and phrases that we use in our business. We also rely on copyright laws to protect software relating to our websites and our proprietary technologies, although we have not registered for copyright protection to date. We have registered numerous Internet domain names related to our business in order to protect our proprietary interests. As of December 31, 2016, we had four patents issued, four patent applications that have been allowed and 97 pending patent applications related to the use and operation of discount websites and related mobile applications as well as the provision and redemption of digital offers. We also enter into confidentiality agreements with our employees and consultants and seek to control access to and distribution of our proprietary information in a commercially prudent manner. In addition, we license third-party technologies that are incorporated into some elements of our solutions.

The efforts we have taken to protect our intellectual property rights may not be sufficient or effective, and, despite these precautions, it may be possible for other parties to copy or otherwise obtain and use the content of our websites without authorization. We may be unable to prevent competitors from acquiring domain names or trademarks that are similar to,

infringe upon or diminish the value of our domain names, trademarks, service marks and our other proprietary rights. Failure to protect our proprietary rights adequately could significantly harm our competitive position and operating results.

Employees

As of December 31, 2016, we had 565 employees. We consider our current relationship with our employees to be good. Other than our French employees, none of our employees is represented by a labor union or is a party to a collective bargaining agreement.

Culture

We believe that a critical component of our success has been our corporate culture, which we believe fosters innovation, encourages teamwork, cultivates creativity, diversity and inclusiveness and promotes a focus on execution. We have nurtured this culture since our inception and maintained an environment designed to promote openness, honesty, responsibility, mutual respect and the pursuit of common goals. We believe our culture gives us a competitive advantage in recruiting talent in the highly competitive fields that are critical to our success.

Segments

We have two operating and reporting segments. Our Gift Card segment consists of our marketplace for gift cards, and our Core segment consists of all other products and services that are related to our marketplace for digital offers. For detailed financial information regarding our reportable operating segments, see Note 15 "Segment Reporting" of the Notes to Consolidated Financial Statements included in Part II, Item 8: "Financial Statements" of this Annual Report on Form 10-K.

Geographic Information

Financial information about geographic areas is set forth in Note 13 "Domestic and Foreign Operations" of the Notes to Consolidated Financial Statements under Part II, Item 8: "Financial Statements" of this Annual Report on Form 10-K. For a discussion of the risks attendant to foreign operations, see the information in Part 1, Item 1A: "Risk Factors" under the caption "We are subject to international business uncertainties that could adversely affect our operations and operating results."

Seasonality

Our operating results fluctuate from quarter to quarter as a result of a variety of factors, including seasonal factors and economic cycles that influence consumer purchasing of retail products. Historically, we have experienced the highest number of visitors to our websites and mobile applications and net revenues in the fourth quarter of the year, which coincides with the winter holiday season in the U.S. and Europe. Net revenues from our advertising and in-store products are more heavily weighted to the fourth quarter of the year. As net revenues from this part of our business grow as a percentage of net revenues of our Core segment, for example to 27.7% from 20.4% of such net revenues for 2016 and 2015, respectively, our seasonality may increase. We do not yet have sufficient operating history with respect to our Gift Card segment to forecast its seasonality.

Our investments have led to uneven quarterly operating results due to increases in personnel costs, brand marketing, product and technology enhancements and the impact of strategic projects. The return on these investments is generally achieved in future periods and, as a result, these investments can adversely impact near term results.

Our business is directly affected by the behavior of consumers. Economic conditions and competitive pressures can impact, both positively and negatively, the types of digital offers featured on our websites and the rates at which consumers use them. Consequently, the results of any prior quarterly or annual periods should not be relied upon as indications of our future operating performance.

Available Information

Our corporate Internet address is www.retailmenot.com/corp and our investor relations website is located at http://investor.retailmenot.com. We make available free of charge on our investor relations website under the headings "Financials and Filings" and "SEC Filings" our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports as soon as reasonably practicable after such materials are electronically filed with (or furnished to) the SEC. Information contained on our websites is not incorporated by reference into this Annual Report on Form 10-K. In addition, the public may read and copy materials we file with the SEC at the SEC's Public Reference Room at 100 F

Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site, www.sec.gov, that includes filings of and information about issuers that file electronically with the SEC.

Item 1A. Risk Factors.

Our business, prospects, financial condition or operating results could be materially adversely affected by any of the risks and uncertainties described below, as well as other risks not currently known to us or that are currently considered immaterial. The trading price of our Series 1 common stock could decline due to any of these risks, and you may lose all or part of your investment. In assessing these risks, you should also refer to the other information contained in this Annual Report on Form 10-K, including our consolidated financial statements and related notes.

Risks Related to Our Business

Traffic to certain of our desktop websites has declined year-over-year. If we are unable to continue to attract visitors to our websites from search engines, then consumer traffic to our websites could continue to decrease. That decrease has negatively impacted, and could in the future, negatively impact commissions earned based on purchases generated for our paid merchants through our marketplace, and therefore adversely impact our ability to maintain or grow our online transaction net revenues and profitability.

We generate consumer traffic to our websites using various methods, including search engine marketing, or SEM, search engine optimization, or SEO, email campaigns and social media referrals. Our net revenues and profitability are dependent upon generalized demand for the digital offers we provide and upon our continued ability to use a combination of these methods to generate consumer traffic to our websites in a cost-efficient manner. We have experienced and continue to experience fluctuations in search result rankings for a number of our websites. We have also experienced a year-over-year decline in the number of visits to our desktop websites. There can be no assurances that we will be able to grow or maintain current levels of consumer traffic as a whole or with respect to either our desktop or mobile websites.

Our SEM and SEO techniques have been developed to work with existing search algorithms utilized by the major search engines. However, major search engines frequently modify their search algorithms. Changes in these algorithms can cause our websites to receive less favorable placements, which could reduce the number of users who visit our websites. We may be unable to modify our SEM and SEO strategies in response to any future search algorithm changes made by the major search engines, which could require a change in the strategy we use to generate consumer traffic to our websites. In addition, websites must comply with search engine guidelines and policies. These guidelines and policies are complex and may change at any time. If we fail to follow such guidelines and policies properly, search engines may rank our content lower in search results or could remove our content altogether from their indices. If we fail to understand and comply with these guidelines, our SEO strategy may become unsuccessful.

In some instances, search engines may change their displays or rankings in order to promote their own competing products or services or the products or services of one or more of our competitors. For example, a major search engine currently promotes its product-listing advertisements adjacent to its search results, has increased the number of paid search results on mobile websites for certain keywords reducing visibility of organic search results and made certain other changes, each of which could reduce traffic to our websites. Given the large volume of search-driven traffic to our websites and the importance of the placement and display of results of a user's search, similar actions in the future could have a negative effect on our business and results of operations.

If we are listed less prominently or fail to appear in search result listings for any reason, it is likely that the number of visitors to our websites will decline. Any such decline in consumer traffic to our websites could adversely impact the commission earned based on the number of purchases we generate for our paid merchants, which could in turn adversely affect our online transaction net revenues and our profitability. We continue to see fluctuations in our traffic based on combination of factors, including search engine algorithm changes. We may not be able to replace this traffic with the same volume of visitors or in the same cost-effective manner from other channels, such as direct, SEM, display advertising, e-mail or social media, or at all. An attempt to replace this traffic through other channels may require us to increase our sales and marketing expenditures, which would adversely affect our operating results and which additional net revenues may not offset.

Although consumer traffic to our mobile applications is not reliant on search results, growth in mobile device usage may not decrease our overall reliance on search results if mobile users use our mobile websites rather than our mobile applications. In fact, growth in mobile device usage may exacerbate the risks associated with how and where our websites are displayed in search results because mobile device screens are smaller than desktop computer screens and therefore display fewer search results.

Consumers are increasingly using mobile devices to access our content and if we are unsuccessful in expanding the capabilities of our digital offer solutions for our mobile platforms to allow us to generate net revenues as effectively as our desktop platforms, our online transaction net revenues could decline.

Web usage and the consumption of digital content are increasingly shifting to mobile platforms, typically smartphones and mobile watches. In 2016, visits to our mobile websites represented approximately 46% of the total visits to our websites, and we expect the percentage of these visits to continue to grow. Industry-wide solutions to monetize digital offer content effectively on these platforms are at an early stage of development. Further, the rate at which we monetize digital offer content on our mobile websites and applications is significantly lower than the corresponding rate on our desktop websites.

The growth of revenues derived from our mobile websites and applications depends in part on retailer deployment of mobile websites and applications that are designed to remove friction from the consumer shopping experience. The growth of this portion of our business also depends in part on our ability to deliver compelling solutions to consumers and merchants both online and for use in-store through these new mobile marketing channels. Our success on mobile platforms will be dependent on our interoperability with popular mobile operating systems that we do not control, such as Android and iOS, and any changes in such systems that degrade our functionality or give preferential treatment to competitive services could adversely affect usage of our services through mobile devices.

Further, to deliver high quality mobile offerings, it is important that our solutions integrate with a range of other mobile technologies, systems, networks and standards that we do not control. We may not be successful in developing relationships with key participants in the mobile industry or in developing products that operate effectively with these technologies, systems, networks or standards. For example, some merchants today do not recognize affiliate tracking links on their mobile websites or applications, and affiliate tracking links on mobile websites or applications may not function to allow merchants' sales to be attributed to us. Further, consumers may click on a digital offer displayed on our mobile websites or in our mobile applications, but execute a purchase using that digital offer on a different platform, such as on the merchant's desktop website (a circumstance known as cross device switching), which may result in those merchant sales not being attributed to us. As a result, in each such case, we may not receive commission revenues when a consumer executes a purchase on the merchant's platform after clicking through a digital offer displayed on our mobile websites or in our mobile applications. If merchants fail to recognize affiliate tracking links on their mobile websites or applications, or affiliate tracking links on mobile websites or applications do not function to allow merchants' sales to be attributed to us and our mobile traffic continues to represent a significant percentage of our consumer traffic, or increases, our business could be harmed and our operating results could be adversely affected.

If we fail to develop mobile applications and mobile websites that effectively address consumer and merchant needs, or if we are not able to implement strategies that allow us to monetize mobile platforms and other emerging platforms, our ability to grow mobile online transaction net revenues and in-store net revenues will be constrained, and our business, financial condition and operating results would be adversely affected.

If merchants alter the way they attribute credit to publishers in their performance marketing programs, our online transaction net revenues could decline and our operating results would be adversely affected.

Merchants often advertise and market digital offers through performance marketing programs, a type of performance-based marketing in which a merchant rewards one or more publishers such as us for each visitor or customer generated by the publisher's own marketing efforts. When a consumer executes a purchase on a merchant's website as a result of a performance marketing program, most performance marketing conversion tracking tools credit the most recent link or ad clicked by the consumer prior to that purchase. This practice is generally known as "last-click attribution." We generate the substantial majority of our online transaction net revenues through transactions for which we receive last-click attribution. In recent years, some merchants have sought, and in some cases adopted, alternatives to last-click attribution. These alternatives are primarily "first-click attribution," which credits the first link or ad clicked by a consumer prior to executing a purchase, or "multichannel attribution," which applies weighted values to each of a merchant's advertisements and tracks how each of those advertisements contributed to a purchase. If merchants widely adopt first-click attribution, multichannel attribution or otherwise alter the ways they attribute credit for purchases to us, and if we are unable to adapt our business practices to such alterations, our online transaction net revenues could decline and our business, financial condition and operating results could be adversely affected.

If we fail to retain existing users or add new users, or if our users decrease their level of engagement with our products, our revenues, financial results and business may be significantly harmed.

The size of our user base and our users' level of engagement are important to our success. Our financial performance has and will continue to be significantly determined by our success in adding, retaining, and engaging our users. If consumers do not perceive our products to be useful, we may not be able to attract or retain users or otherwise maintain or increase the frequency of their engagement. We have experienced a year-over-year reduction in our active user base and there is no guarantee that we will not experience further erosion in that user base or of user engagement levels. Any number of factors could potentially negatively affect user retention, growth and engagement, including if:

- users increasingly engage with other products or services through which they obtain digital offers;
- we fail to introduce new products or services that users find engaging or if we introduce new products or services that are not favorably received;
- we are unable to obtain digital offers that consumers find useful, particularly with respect to offers for our in-store solution which is still in its early stages and for which a broad source of supply has not been established;
- we are unable to develop products for mobile devices that users find engaging, that work with a variety of mobile operating systems and networks, and that achieve a high level of market acceptance;
- merchants fail to deploy mobile websites and applications that reduce friction in the consumer shopping experience;
- we are unable to ensure that users are presented with content that is useful and relevant to them;
- users perceive that the quality of digital offers available through our marketplace has decreased;
- our mobile applications fail to be prominently featured in iOS and Android application stores; or
- there are decreases in user sentiment about the quality or usefulness of our products or offers or concerns related to privacy, security or other factors.

If we are unable to maintain or increase our user base and user engagement, our revenues and financial results may be adversely affected. Any decrease in user retention, growth or engagement could render our marketplace less attractive to merchants, which is likely to have a material and adverse impact on our revenues, business, financial condition and results of operations. If our desktop website traffic continues to decline and if our mobile website traffic growth rate continues to slow, or to decline, we will become increasingly dependent on our ability to maintain or increase levels of user engagement and associated monetization in order to maintain our current revenues or drive revenue growth.

If we are unable to retain our existing paid merchants, expand our business with existing paid merchants or attract new paid merchants and consumers, our net revenues could decline.

Our ability to continue to grow our net revenues will depend in large part on expanding our business with existing paid merchants and attracting new paid merchants. The number of our current paid merchants may not expand beyond our existing base and may decline. Even for our largest paid merchants, the amount they pay us is typically only a small fraction of their overall advertising budget. Merchants may view their spend with us as experimental, particularly with respect to our in-store solution and digital rebates, and may either reduce or terminate their spend with us if they determine a superior alternative for generating sales. In addition, merchants may determine that distributing digital offers through our platform results in undesirably broad distribution of their digital offers or otherwise does not provide a compelling value proposition. Some merchants have demanded that we remove digital offers relating to their products or services from our marketplace, and we anticipate that some merchants will do so in the future. If we are unable to negotiate favorable terms with current or new paid merchants in the future, including the commission rates they pay us, our operating results will be adversely affected.

The sales process for our in-store solution varies from that of our online business. Specifically, the sales cycle for merchants considering adopting the solution for the first time tends to be longer on a comparative basis than with respect to offers on other portions of our marketplace. That sales process can involve establishing new direct relationships with merchants as they may fund in-store offers from different budgets than those reserved for publishers participating in performance marketing programs with the same merchants. For these and other reasons, it may be comparatively more difficult to expand the number of merchants using the in-store portion of our marketplace.

While we enter into agreements with certain paid merchants that may be performed over a period of one year or longer, paid merchants generally do not enter into long-term obligations with us requiring them to use our solutions. Paid merchants' contracts with us, with few exceptions, are cancelable upon short or no notice and without penalty. We cannot be sure that our paid merchants will continue to use our solutions or that we will be able to replace merchants that do not renew their campaigns with new ones generating comparable revenues.

If we are unable to attract new consumers and maintain or increase consumer traffic to our websites and use of our mobile applications, new paid merchants may choose not to use, and existing paid merchants may not continue to use, our solutions for their promotional campaigns, and our volume of new digital offer inventory may suffer as the perceived usefulness of our marketplace declines. If our existing paid merchants do not continue to use our solutions for their promotional campaigns, or if we are unable to attract and expand the amount of business we do with new paid merchants, our revenues will decrease and our operating results will be adversely affected.

The market in which we participate is intensely competitive, and we may not be able to compete successfully.

The market for digital offer solutions is highly competitive, fragmented and rapidly changing. Our competition for traffic from consumers seeking to save money on online or in-store purchases includes digital offer websites and mobile applications, cash-back, loyalty and discounted gift card websites and mobile applications, merchants, search engines, social networks, comparison shopping websites, newspapers and direct mail campaigns. Our competition for merchant marketing spend includes digital offer websites and mobile applications, search engines and social networks that compete for online advertising spend and television, magazines and newspapers that compete for offline advertising spend. With the introduction of new technologies and the influx of new entrants to the market, we expect competition to persist and intensify in the future, which could harm our ability to increase sales and maintain our profitability. We also expect competition in e-commerce generally, and digital offer solutions in particular, to continue to increase because there are no significant barriers to entry. A substantial number of digital offer websites and mobile applications, including those that attempt to replicate all or a portion of our business model, have emerged globally. Additional sources of competition include the following:

- Other businesses that provide digital offers similar to ours as an add-on to their core business. For example, Groupon, Living Social, Coupons.com and Facebook now provide digital offers, and Google, Facebook and PayPal are now providing digital offers for in-store purchases.
- Website, mobile applications and credit card issuers that provide cash-back rebates or offers based on the use of a particular credit card at certain merchants, including eBates.
- Various companies that offer discounted gift cards, including Raise, Cardcash and Cardpool.
- Traditional offline coupon and discount services, as well as newspapers, magazines and other traditional media companies that provide coupons and discounts on products and services.
- Other websites and mobile applications that serve niche markets and interests.

Our success depends on the breadth, depth, quality and reliability of our digital offer selection, as well as our continued innovation and ability to provide features that make our marketplace useful and appealing to consumers. If we are unable to develop quality features that consumers want to use, then consumers may become dissatisfied with our marketplace and elect to use the offerings of one of our competitors, which could adversely affect our operating results.

Certain of our larger actual or potential competitors may have the resources to significantly change the nature of the digital offer industry to their advantage, which could materially disadvantage us. For example, a major search engine now displays product-listing advertisements above the organic search results returned by its search engine in response to user searches and has increased the number of paid search results on mobile websites for certain keywords reducing visibility of organic search results, each of which may reduce the amount of traffic to our websites. Additionally, potential competitors such as PayPal, Facebook, Instagram, Snapchat, and Twitter have widely adopted industry platforms, which they could leverage to distribute digital offers that could be disadvantageous to our competitive position.

Our current and potential competitors may have significantly more financial, technical, marketing and other resources than we have, be able to devote greater resources to the development, promotion, sale and support of their products and services, have more extensive consumer bases and deeper relationships, and may have longer operating histories and greater name recognition than we have. As a result, these competitors may be better able to respond quickly to new technologies, develop deeper merchant relationships or offer services at lower prices. Any of these developments would make it more difficult for us to sell our solutions and could result in increased pricing pressure, reduced profit margins, increased sales and marketing expense or the loss of market share.

In the traditional coupon landscape, our primary competitors for advertising spend include publishers of printed coupons. Many of these competitors have significant consumer reach, well-developed merchant relationships, and much larger financial resources and longer operating histories than we have.

We also directly and indirectly compete with merchants for consumer traffic. Many merchants market and provide their own digital offers directly to consumers using their own websites, email newsletter and alerts, mobile applications, social media

presence and other distribution channels. Our paid merchants could be more successful than we are at marketing their own digital offers or could decide to terminate their relationship with us because they no longer want to pay us to compete against them.

We may also face competition from companies we do not yet know about. If existing or new companies develop, market or resell competitive digital offer solutions, acquire one of our existing competitors or form a strategic alliance with one of our competitors, our ability to compete effectively could be significantly compromised and our operating results could be harmed.

We are highly dependent on performance marketing networks as intermediaries to operate our Core segment. Factors adversely affecting our relationships with performance marketing networks, or the termination of our relationships with these networks, may adversely affect our ability to attract and retain business and our operating results.

The majority of our net revenues come from commissions earned for promoting digital offers on behalf of paid merchants. Often, the commissions we earn are tracked and paid by performance marketing networks. For 2016, 94.3% of the net revenues from our Core operating segment came from paid merchants that pay us through performance marketing networks, primarily Commission Junction and LinkShare. Performance marketing networks provide merchants with affiliate tracking links for attributing revenues to publishers like us and the ability to distribute digital offer content to multiple publishers. We do not have exclusive relationships with performance marketing networks. They do not enter into long-term commitments with us to allow us to use their solutions, and their contracts with us are cancelable upon short or no notice and without penalty.

Our sales could be adversely impacted by industry changes relating to the use of performance marketing networks. For example, if paid merchants seek to bring the distribution of their digital offer content in-house rather than using a performance marketing network, we would need to develop relationships with more paid merchants directly, which we might not be able to do and which could increase our sales, marketing and product development expenses. Additionally, we face challenges associated with consumers' increasing use of mobile devices to complete their online purchases. For example, many paid merchants currently do not recognize affiliate tracking links on their mobile websites or applications, and tracking mechanisms on mobile websites or applications may not function to allow paid merchants to properly attribute sales to us. As a result, we may not receive commission revenues when a consumer makes a purchase from their mobile device on a paid merchant's mobile website after clicking through a digital offer displayed on one of our websites or mobile applications if the paid merchant's mobile monetization mechanisms are not enabled.

Moreover, as a result of dealing primarily with performance marketing networks, we have less of a direct relationship with paid merchants than would be the case if we dealt directly with paid merchants. The presence of performance marketing networks as intermediaries between us and paid merchants creates a challenge to building our own brand awareness and affinity with paid merchants. Additionally, in the event that our relationship with a performance marketing network were to terminate, our mechanism for receiving payments from the paid merchants we service through that network would terminate, which could materially and adversely impact our net revenues. Additionally, paid merchants may fail to pay the performance marketing networks the fees the paid merchants owe, which is a prerequisite to us receiving our commissions from the networks.

Some performance marketing networks that we work with could be considered our competitors because they also offer some components of our solution, including publishing digital offers, on their own properties. If a performance marketing network further develops its own properties with digital offer capabilities or limits our access to its network for the purposes of driving revenue to its own properties, our ability to compete effectively could be significantly compromised and our business and operating results could be adversely affected.

If we are not able to maintain a positive perception of the content available through our marketplace, and maintain and enhance our RetailMeNot brand and the brands associated with each of our other websites and mobile applications, our reputation and business may suffer.

A decrease in the quality of the digital offers available through our marketplace could harm our reputation and damage our ability to attract and retain consumers and paid merchants, which could adversely affect our business. Additionally, maintaining and enhancing our RetailMeNot brand and the brands of each of our other websites and mobile applications is critical to our ability to attract new paid merchants and consumers to our marketplace, generate net revenues and successfully introduce new solutions. We may not be able to successfully build our RetailMeNot brand in the U.S. or the E.U. without losing some or all of the value associated with, or decreasing the effectiveness of, our other brands. We expect that the promotion of all our brands will require us to make substantial investments. As our market has become and continues to become more competitive, these branding initiatives have in the past been, and may in the future, be increasingly difficult and expensive. The

successful promotion of our brands will depend largely on our marketing and public relations efforts. If we do not successfully maintain and enhance our brands, we could lose consumer traffic to our marketplace, which could, in turn, cause paid merchants to terminate or reduce the extent of their relationship with us. Our brand promotion activities may not be successful or may not yield net revenues sufficient to offset this cost, which could adversely affect our reputation and business.

Our Core segment business model largely depends upon digital offer inventory that we do not own or otherwise generally control, and the failure to maintain sufficient inventory or quality of the digital offers available in our marketplace may adversely affect our perceived value by consumers and merchants.

The success of our marketplace with respect to our Core segment depends on our ability to provide consumers with the digital offers they seek. A substantial majority of our revenues in the Core segment come from arrangements in which we are paid by merchants to promote their digital offers. Additionally, as much as one-third of the digital offers (excluding gift cards) on our websites are submitted by users. Therefore, we do not own or control the inventory of traditional digital offer content upon which our business depends. Because a large number of our digital offers are submitted by users, our efforts to ensure the quality and reliability of those digital offers are critical to our success. From time to time consumers submit complaints that our digital offers are invalid or expired. If our algorithms and automated processes for validating and sorting user-submitted digital offers are ineffective, or if our representatives responsible for manual review and curation of user-submitted digital offers are unable to effectively select and sort the digital offers that are reliable and most appealing to our users, we may be unable meet the needs of consumers and our operating results may be adversely affected.

Merchants have a variety of channels through which to promote their products and services. If these merchants elect to promote their offers and discounts through other channels, offer less compelling offers or discounts or not to promote offers or discounts at all, or if our competitors are willing to accept lower commissions than we are to promote these digital offers, our ability to obtain content may be impeded and our business, financial condition and operating results will be adversely affected. Similarly, if users do not contribute digital offers to our websites, or if they contribute digital offers that are not attractive or reliable, the digital offer inventory in our marketplace may decrease or become less valuable to consumers. If we cannot maintain sufficient digital offer inventory in our marketplace, consumers may perceive our marketplace as less relevant, consumer traffic to our websites and use of our mobile applications would decline and, as a result, our business, financial condition and operating results would be adversely affected.

Our sources of inventory for gift cards are concentrated, which can cause us not to have access to inventory sufficient to meet consumer demand for such digital offers or our own financial projections for our Gift Card segment.

The success of our gift card marketplace depends in large part upon our relationships with suppliers of gift cards. We have significant concentration of gift card supply. For example, during 2016, five of GiftcardZen Inc's suppliers of gift cards accounted for approximately 47% of its total supply. This concentration of suppliers and consolidation within the industry could increase the bargaining power of our suppliers and increase the cost of our inventory.

Our relationships with gift card suppliers are generally not for long terms and, with few exceptions, are cancelable upon short or no notice and without penalty. We cannot be sure that our gift card suppliers will continue to provide us with the volume of cards we need to maintain our business on commercially reasonable terms, or at all. We may also have difficulty locating additional new sources of gift card supply that will be needed to grow our business. Our operating results could be materially and adversely affected if one of our gift card suppliers terminates, fails to renew or fails to renew on similar or more favorable terms, its agreement with us. Additionally, if our suppliers provide us with invalid, fraudulent or expired gift cards, our ability to recover the cost of those cards may be limited.

We experience quarterly fluctuations in our operating results due to a number of factors that make our future results difficult to predict and could cause our operating results to fall below expectations or our guidance.

Our business is subject to seasonal fluctuations. Specifically, our net revenues are traditionally strongest in the third and fourth quarters of each year due to increases in holiday shopping. Conversely, our first and second quarter net revenues are typically lower.

Since the majority of our expenses are personnel-related and include salaries and stock-based compensation, benefits and incentive-based compensation plan expenses, we have not experienced significant seasonal fluctuations in the timing of our expenses from period to period other than increases in discretionary advertising and promotional spending during the third and fourth quarter holiday shopping period. We may continue to increase our investment in sales, engineering and product development substantially as we seek to leverage our solution to capitalize on what we see as a growing global opportunity. For

the foregoing reasons or other reasons we may not anticipate, historical patterns should not be considered indicative of our future sales activity, expenditure levels or performance.

Factors that may affect our quarterly operating results include the following:

- the number and quality of the digital offers available on our websites and mobile applications;
- consumer visits to our websites and mobile applications, and purchases by consumers resulting from those visits or application sessions;
- our ability to maintain or increase the commissions and other revenues associated with consumer visits to our mobile websites or use of our mobile applications;
- the success and costs of our online advertising and marketing initiatives, including advertising costs for paid search keywords that we deem relevant to our business and advertising costs for driving consumer downloads of our mobile applications;
- the levels of compensation that merchants are willing to pay us to attract customers;
- the amount that consumers spend when they make purchases using the digital offers we provide;
- our ability to maintain and increase the number of downloads of our mobile applications by consumers not resulting directly from our advertising efforts;
- market acceptance of our current and future solutions, including our ability to retain current paid merchants, sell additional solutions to existing paid merchants and to add new paid merchants to our marketplace in multiple regions around the world;
- our ability to achieve growth rates and performance targets anticipated by us in setting our operating and capital expense budgets;
- overall levels of consumer spending;
- the budgeting cycles of our paid merchants;
- the cyclical and discretionary nature of marketing spend and any resulting changes in the number and quality of digital offers that paid merchants choose to offer;
- changes in the competitive dynamics of the digital offer industry, including consolidation among competitors, performance marketing networks or customers, and our reputation and brand strength relative to our competitors;
- the response of consumers to our digital offer content;
- our ability to control costs, including our operating expenses;
- network outages, errors in our solutions or security breaches and any associated expenses and collateral effects;
- foreign currency exchange rate fluctuations, as our foreign sales and costs are denominated in local currencies;
- interest rate fluctuations, as our senior indebtedness carries a variable interest rate;
- costs related to acquisitions or licensing of, or investments in, products, services, technologies or other businesses and our ability to integrate and manage any acquisitions successfully;
- our ability to collect amounts billed to paid merchants directly and through performance networks;
- paid merchants filing for bankruptcy protection or otherwise ceasing to operate; and
- general economic and political conditions in our domestic and international markets.

As a result of these and other factors, we have a limited ability to forecast the amount of future net revenues and expenses, and our operating results may vary from quarter to quarter and have fallen, and may in the future fall, below our estimates or the expectations of public market analysts and investors. Fluctuations in our quarterly operating results may lead analysts to change their long-term models for valuing our common stock, cause us to face short-term liquidity issues, impact our ability to retain or attract key personnel or cause other unanticipated issues, all of which could cause our stock price to decline. As a result of the potential variations in our quarterly net revenues and operating results, we believe that quarter-to-quarter comparisons of our net revenues and operating results may not be meaningful and the results of any single quarter should not be relied upon as an indication of future performance.

Our business, product offerings, employee headcount and geographical area of operations have grown in scope and complexity in recent periods. If we fail to manage that expansion, our financial performance may suffer.

We have expanded our overall business and product offerings, consumer traffic, paid merchants, employee headcount and operations in recent periods. We increased our total number of full-time employees from 164 as of December 31, 2011 to

565 as of December 31, 2016. We have also established or acquired operations in other countries. In 2011, we acquired the business of VoucherCodes.co.uk, which is based in the U.K. In 2012, we acquired Bons-de-Reduction.com and Poulpeo.com, which are based in France, and relaunched Deals.com in Germany. In July 2013, we acquired Ma-Reduc.com, which is based in France. In October 2015, we decided to no longer support the Bons-de-Reduction.com brand. We redirected traffic from Bons-de-Reduction.com to Poulpeo.com. In most of these instances, we previously had no presence in these countries. We have integrated new types of digital offers on our platforms, including digital rebates and discounted gift cards in fiscal 2015. In certain instances, we are the merchant of record for sale of gift cards, which is an evolution of the role we have traditionally played with our users. On April 5, 2016, we acquired GiftcardZen Inc, a secondary marketplace for gift cards, and are working to integrate GiftcardZen Inc's technology into our existing platform. In December 2016, we elected to cease supporting our websites in five EU countries. For various reasons, including those listed above, our business is becoming increasingly complex, especially in light of the increase in content types and our platforms, the closure of certain of our platforms, as well as the number of acquisitions we have integrated, are in the process of integrating and may in the future integrate. Our limited operating history, our reliance on multiple websites, mobile applications and brands and our expansion have placed, and will continue to place, a significant strain on our managerial, operational, product development, sales and marketing, administrative, financial and other resources.

We expect to continue to increase headcount and to hire more specialized personnel in the future. We will need to continue to hire, train and manage additional qualified website and mobile application developers, software engineers, sales staff, and product development specialists in order to improve and maintain our product offerings and technology to drive and properly manage our growth. If our new hires perform poorly, if we are unsuccessful in hiring, training, managing and integrating these new employees or if we are not successful in retaining our existing employees, our business may be harmed. Further, to accommodate our expected expansion we must add new hardware and software and improve and maintain our technology, systems and network infrastructure. Failure to effectively upgrade our technology or network infrastructure to support our expected increases in mobile traffic volume and mobile application usage could result in unanticipated system disruptions, slow response times or poor experiences for consumers. To manage the expected expansion of our operations and personnel and to support financial reporting requirements as a public company, we continue to improve our transaction processing and reporting, operational and financial systems, procedures and controls. These improvements will be particularly challenging if we acquire new operations with different back-end systems. Our current and planned personnel, systems, procedures and controls may not be adequate to support our future operations. If we are unable to manage any growth and increased complexity successfully and hire additional qualified personnel in an efficient manner, our business, financial conditions and operating results could be adversely affected.

If state revenue agencies or merchants interpret state sales and use tax click-through nexus laws to create nexus for merchants in each jurisdiction where we have employees, our net revenues could decline and our business, financial condition and operating results will be adversely affected.

Since 2008, more than a dozen states including California, New York and New Jersey passed legislation requiring retailers to collect and remit sales and use taxes on sales to their residents if the publisher that facilitated the sale is also a resident of the state. These are commonly referred to as "click-through nexus laws." The United States Constitution as interpreted by federal and state case law, provides certain limitations on a state's ability to impose sales and use tax collection obligation on retailers located outside of a state ("remote retailers"). We believe that these limitations require a connection or "nexus," between the activities of our in-state employees and a remote retailer's ability to establish and maintain a market in the subject state before a state can require the retailer to collect tax on sales to state customers solely because of the presence of our employees in a state. The passage of click-through nexus laws has not had a material impact on our results of operations to date. Nevertheless, it is possible that one or more states in which we have employees could apply an aggressive interpretation to its click-through nexus law or that one or more retailers may believe that the mere presence of our employees in a state, regardless of any connection to the retailer's ability to establish or maintain its market in the state, may be sufficient to establish sales and use tax nexus for the retailer in the state. If such state interpretations and/or merchant beliefs were to become common, they could significantly alter the manner in which retailers pay us, cause retailers to cease paying us for sales we facilitate for that retailer in that state or cause retailers to cease using our marketplace, any of which could adversely impact our operating results. Further, if Texas were to pass similar legislation, we believe a substantial number of the paid retailers in our marketplace would cease paying us for sales we facilitate for that retailer in Texas, significantly alter the manner in which they pay us or cease using our marketplace. This would decrease our sales and our business, financial condition and operating results would be adversely affected.

If our management team or skilled employees do not remain with us in the future, our business, operating results and financial condition could be adversely affected.

We have been successful in attracting a knowledgeable and talented management team and key operating personnel. Our future success depends in large part on our ability to retain these employees and attract others. Our senior management team's in-depth knowledge of and deep relationships with the participants in our industry are extremely valuable to us. There can be no assurance that our senior management team will remain with us in the future. There can also be no assurance that we will successfully recruit and retain qualified replacements for those who depart in the future.

Our business also requires skilled engineering, product, marketing and other personnel, who are in high demand and are often subject to competing offers. Competition for qualified employees is intense in our industry, and the loss of even a few qualified employees, or our inability to attract qualified employees, could harm our operating results and impair our ability to grow.

To attract and retain key personnel, we use various measures, including an equity incentive program, an employee stock purchase program and non-equity incentive bonuses. These measures may not be enough to attract and retain the personnel we require to operate our business effectively. We have experienced significant volatility in our stock price since our initial public offering in July 2013.We now have a number of employees who were granted stock options that have an exercise price per share that is higher than the current fair market value of our Series 1 common stock. Those employees may feel they are not sufficiently incentivized to remain at our company. Conversely, we also have employees who were granted stock options that have an exercise price per share that is lower than the current fair market value. If we are successful, these employees may choose to exercise their options and sell the shares, recognizing a substantial gain. As a result, it may be difficult for us to retain such employees. It may also be difficult to retain employees due to the continued volatility in our stock price.

If we are unable to attract or retain our sales representatives, our ability to increase our net revenues could be negatively impacted.

Our ability to expand our business will depend, in part, on our ability to retain our current sales representatives and properly incentivize them to obtain new merchant relationships. If a significant number of our sales representatives were to leave us or join our competitors, our net revenues could be negatively impacted. In certain circumstances, we have entered into agreements with our sales representatives that contain non-compete provisions to mitigate this risk, but we may elect not to enforce our rights under those agreements, or we may need to litigate to enforce our rights under these agreements, which could be time-consuming, expensive and ineffective. A significant increase in the turnover rate among our sales representatives could also increase our recruiting costs and decrease our operating efficiency, which could lead to a decline in our net revenues and profitability.

Competition for qualified sales representatives is intense, and we may be unable to hire additional team members when we need them or at all. Any difficulties we experience in attracting additional sales representatives could have a negative impact on our ability to expand our paid merchant base and maintain or increase net revenues and could negatively affect our results of operations.

Our employee retention and hiring may be hindered by immigration restrictions, which could adversely impact our business, results of operations and financial condition.

Foreign nationals who are not U.S. citizens or permanent residents constitute an important part of our U.S. workforce, particularly in the areas of engineering, software development and business analytics. Our ability to hire and retain these workers, and their ability to remain and work in the U.S. are impacted by laws and regulations as well as by processing procedures of various government agencies. Changes in immigration laws, regulations, or procedures, including those that may be enacted by the new U.S. presidential administration or as a result of the United Kingdom's referendum to withdraw from membership in the European Union, may adversely affect our ability to hire or retain such workers and may affect our costs of doing business and/or our ability to deliver our products and services.

Our current management team has a limited history of working together and may not be able to execute our business plan.

Certain members of our senior management team, including our General Manager, Gift Cards, Senior Vice President of Retail and Brand Solutions and Senior Vice President of Product, have only recently joined our management team or assumed their roles. As such, our current management team has worked together for only a limited period of time and has a limited track

record of executing our business plan as a team. Accordingly, it is difficult to predict whether our management team, individually and collectively, will be effective in operating our business.

Our failure or the failure of third-party service providers to protect our platform and network against security breaches, or otherwise protect our confidential information, could damage our reputation and brand and substantially harm our business and operating results.

We deliver digital offers via our websites, mobile applications, email newsletter and alerts and social media presence, and we collect and maintain data about consumers, including personally identifiable information, as well as other confidential or proprietary information. We also sell gift cards and provide cash-back rebates to users. Our security measures may not detect or prevent all attempts to hack our systems, denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by our platform or that we or our third-party service providers otherwise maintain. Breaches of our security measures or those of our third-party service providers could result in unauthorized access to our platform or other systems; unauthorized access to and misappropriation of consumer information, including consumers' personally identifiable information, or other confidential or proprietary information of ours or third parties; viruses, worms, spyware or other malware being served from our platform; deletion or modification of content or stored electronic gift cards, or the display of unauthorized content, on our websites or our mobile applications; or a denial of service or other interruption in our operations. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, our size and scale, our geographic footprint and international presence, our use of open source software and technologies, the outsourcing of some of our business operations and continued threats of cyber-attacks. Although cybersecurity and the development and enhancement of controls, processes and practices designed to protect our and our third party providers' systems, computers, software, data and networks from attack, damage or unauthorized access are a priority for us, this may not successfully protect our respective systems against all vulnerabilities, including technologies developed to bypass our security measures. In addition, outside parties may attempt to fraudulently induce employees, users or merchants to disclose sensitive information in order to gain access to our or our third party providers' secure systems and networks.

Because techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers, we and they may be unable to anticipate these attacks or to implement adequate preventative measures. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. Any actual or perceived breach of our security could damage our reputation and brand, expose us to a risk of loss or litigation and possible liability, require us to expend significant capital, technical and other resources to alleviate problems caused by such breaches and deter consumers and merchants from using our marketplace, which would harm our business, financial condition and operating results.

Interruptions or delays in service from third-party data center hosting facilities and other third parties could impair the delivery of our solutions and harm our business.

As of December 31, 2016, we operate our business using third-party data center hosting facilities located in California, Oregon, Virginia, the U.K., France, Ireland and the Netherlands. All of our data gathering and analytics are conducted on, and the content we deliver is processed through, servers in these facilities. We also rely on bandwidth providers, Internet service providers and mobile networks to deliver content. Any damage to, or failure of, the systems of our third-party providers could result in interruptions to our service.

Despite precautions taken at our third-party data centers, these facilities may be vulnerable to damage or interruption from break-ins, computer viruses, denial-of-service attacks, acts of terrorism, vandalism or sabotage, power loss, telecommunications failures, fires, floods, earthquakes, hurricanes, tornadoes and similar events. The occurrence of any of these events, a decision to close the facilities without adequate notice or other unanticipated problems at these facilities could result in loss of data, lengthy interruptions in the availability of our services and harm to our reputation and brand. While we have disaster recovery arrangements in place, they have not been tested under actual disasters or similar events.

Additionally, our third-party data center facility agreements are of limited duration, and our third-party data center facilities have no obligation to renew their agreements with us on commercially reasonable terms, or at all. If for any reason we are unable to renew our agreements with these facilities on commercially reasonable terms or if our arrangement with one or more of our data centers is terminated, we could experience additional expense in arranging for new facilities and support, and we may experience delays in the provisioning of our solutions until an agreement with another data center facility can be arranged. This shift to alternate facilities could take more than 24 hours depending on the nature of the event, which could

cause significant interruptions in the delivery of our solutions and adversely affect our business and reputation. In addition, the failure of these facilities to meet our capacity requirements could result in interruptions in the availability or functionality of our solutions or impede our ability to scale our operations.

Furthermore, we depend on continuous and uninterrupted access to the Internet through third-party bandwidth providers to operate our business. If we lose the services of one or more of our bandwidth providers for any reason or if their services are disrupted, we could experience disruption in our services or we could be required to retain the services of a replacement bandwidth provider, which could increase our operating costs and harm our business and reputation.

Any errors, defects, disruptions or other performance problems with our solutions could harm our reputation and may damage our paid merchants' businesses. Interruptions in our solutions could cause paid merchants to terminate their contracts with us, which would likely reduce our net revenues and harm our business, operating results and financial condition.

An increase in the return rate of paid merchants' products or a change in the categories of products paid merchants choose to promote using digital offers could reduce our net revenues.

The commission revenues we receive from paid merchants are in part a function of the amount consumers purchase from paid merchants net of product returns. We do not have control over the categories or quality of products or services that our paid merchants deliver, nor do we have control over the digital offers they provide us. As a result, we rely on our historical experience for our estimate of returns. If paid merchants' actual levels of returns are greater than the level of returns we estimate or if paid merchants elect to use digital offer content to promote products and services with a higher return rate than what we have experienced historically, our net revenues could decline. Because some categories of products tend to experience higher return rates than others, a shift in the types of goods consumers purchase using our solutions could lead to an increase in returns and our net revenues could decline. Additionally, return rates in foreign countries in which we operate are currently higher than return rates in the U.S. If we continue to expand our operations in countries with high return rates, our operating results may be negatively affected.

Regulatory, legislative or self-regulatory developments regarding Internet privacy matters could adversely affect our ability to conduct our business.

Consumer and industry groups have expressed concerns about online data collection and use by companies, which has resulted in the release of various industry self-regulatory codes of conduct and best practice guidelines that are binding for member companies and that govern, among other things, the ways in which companies can collect, use and disclose user information, how companies must give notice of these practices and what choices companies must provide to consumers regarding these practices. We are obligated in certain cases to comply with best practices or codes of conduct addressing matters, such as the online tracking of users or devices. We cannot assure you that our practices have complied, comply, or will comply fully with all such best practices or codes of conduct. Any failure, or perceived failure, by us to comply with these best practices or codes of conduct could result in harm to our reputation, a loss in business, and proceedings or actions against us by consumers, governmental entities or others.

U.S. regulatory agencies have also placed an increased focus on online privacy matters and, in particular, on online advertising activities that utilize cookies, which are small files of non-personalized information placed on an Internet user's computer, and other online tracking methods. Such regulatory agencies have released, or are expected to release, reports pertaining to these matters. For example, on March 26, 2012, the Federal Trade Commission, or FTC, issued a report on consumer privacy intended to articulate best practices for companies collecting and using consumer data. The report recommends companies adopt several practices that could have an impact on our business, including giving consumers notice and offering them choices about being tracked across other parties' websites and implementing a persistent "Do Not Track" mechanism to enable consumers to choose whether to allow tracking of their online search and browsing activities, including on mobile devices. Various industry participants have worked to develop and finalize standards relating to a Do Not Track mechanism, and such standards may be implemented and adopted by industry participants at any time. We may be required or otherwise choose to adopt Do Not Track mechanisms, in which case our ability to use our existing tracking technologies and permit their use by performance marketing networks and other third parties could be impaired. This could cause our net revenues to decline and adversely affect our operating results.

U.S. and foreign governments have enacted, considered or are considering legislation or regulations that could significantly restrict industry participants' ability to collect, augment, analyze, use and share anonymous data, such as by regulating the level of consumer notice and consent required before a company can employ cookies or other electronic tracking tools. A number of bills have been proposed in the U.S. Congress in the past that contained provisions that would have

regulated how companies can use cookies and other tracking technologies to collect and use information about consumers. Some of those bills also contained provisions that would have specifically regulated the collection and use of information, particularly geolocation information, from mobile devices.

Additionally, the EU has traditionally imposed more strict obligations under data privacy laws and regulations. Individual EU member countries have had discretion with respect to their interpretation and implementation of EU data privacy laws, resulting in variation of privacy standards from country to country. Legislation and regulation in the EU and some EU member states requires companies to obtain specific types of notice and consent from consumers before using cookies or other tracking technologies. To comply with these requirements, the use of cookies or other similar technologies may require the user's affirmative, opt-in consent. In October 2015, the European Court of Justice, or ECJ, ruled that the "safe harbor" framework for the transfer of certain personal information from the EU to the U.S. was invalid. The transfer of personal information from the EU to the U.S. may still take place under the Model Clauses approved by the European Commission and, following the ECJ's safe harbor decision, we put in place the Model Clauses. On July 12, 2016, the European Commission announced that it had adopted a regime to replace the safe harbor framework named the "Privacy Shield." It is currently unclear whether the Privacy Shield will be, for us, a more appropriate regime for the transfer of certain personal information from the EU to the U.S. so we continue to use the Model Clauses and monitor developments on the Privacy Shield. However, the Model Clauses may be subject to the same challenge as the safe harbor and ruled invalid in due course. If we are then required to implement the Privacy Shield, there is a risk that it may impose additional obligations in respect of the transfer of personal information from the EU to the U.S. that could force us to change our business practices or incur additional costs. Additionally, the existing data protection legal framework in the EU will be superseded by the General Data Protection Regulation, or GDPR, that will result in a greater compliance burden with respect to our operations in Europe. The GDPR package was formally adopted by both the European Parliament and the Council in April 2016 and will enter in force on May 25, 2018. Compliance with the GDPR could increase our operating costs, subject us to significant penalties for non-compliance and make it more difficult to obtain consent from consumers for our email newsletter, resulting in less consumer traffic and net revenues, our business and operating results could suffer and profitability could be adversely affected. In addition, the ECJ has found that there is a "right to be forgotten," which means that the user has a right to request his or her personal information be deleted. In deciding this case, the ECJ purported to extend jurisdictional reach over foreign Internet activities. As a result of this decision, significant new restraints may be imposed on the retention of personal data throughout the EU, which could impact the operation and growth of our business in the EU.

Other changes in global privacy laws and regulations and self-regulatory regimes may also force us to incur substantial costs or require us to change our business practices. This could compromise our ability to pursue our growth strategies effectively and may adversely affect the demand for our solutions or otherwise harm our business and financial condition. For instance, new privacy laws or regulations or changed interpretations of existing laws or regulations could require performance marketing networks or us to take additional measures to facilitate consumer privacy preferences or to limit or cease altogether the collection, use or disclosure of data. For example, one potential restriction on the use of cookies would allow a website that a consumer has elected to visit to continue to place cookies on the user’s browser without explicit consent, but would require the user’s explicit consent for a third party to place its cookies on the user’s browser. A 2010 FTC staff report also recommends that websites offer consumers a choice about whether the owner of the website can use third parties to track the consumer’s activity for certain purposes. We are dependent on third parties, including performance marketing networks, to place cookies on browsers of users that visit our websites. If in the future we are restricted from allowing cookies, if there is a material increase in the number of users who choose to opt out or block cookies and other tracking technologies, or if performance marketing networks’ cookies or other tracking mechanisms otherwise do not function properly, our ability to generate net revenues would be significantly impaired.

Finally, we may be subject to foreign laws regulating online advertising even in jurisdictions where we do not have any physical presence to the extent a digital media content provider has advertising inventory that we manage or to the extent that we collect and use data from consumers in those jurisdictions. Such laws may vary widely around the world, making it more costly for us to comply with them. Failure to comply may harm our business and our operating results could be adversely affected.

Our gift card business could fail to achieve expected results because the purchase and sale of gift cards electronically is not attractive to consumers or if there is a decline in the attractiveness of gift cards to consumers.

The business of selling gift cards electronically over the Internet and via mobile applications is dynamic and relatively new. In particular, the market for the purchase and sale of gift cards from third parties other than the issuing merchant is in its early stages and may be slower to develop than we expect, if it develops at all. In addition, consumer demand for gift cards may stagnate or decline. Consumer perception of gift cards as impersonal gifts may become more widespread, which may deter

consumers from purchasing gift cards for gifting purposes in general and reduce the supply of and demand for gift cards through our marketplace. This perception may increase to the extent that electronic gift cards become more prevalent. In addition, a move from traditional gift cards to other gifting technologies could harm our business, and a failure by us to keep pace with the rapid technological developments in the gift card industry and the greater electronic payments industry may materially and adversely affect our business, results of operations and financial condition. Moreover, during periods of economic uncertainty and decline, consumers may become increasingly concerned about the value of gift cards due to fears that content providers may become insolvent and be unable to honor gift card balances. Decline or stagnation in consumer acceptance of and demand for gift cards, or a failure of demand to grow as expected, could have a material adverse effect on our business, results of operations and financial condition.

As we expand our gift card business and develop and provide other new solutions, we may be subject to additional and unexpected regulations, which could increase our costs or otherwise harm our business.

As we expand our gift card business and develop and provide solutions that address other new market segments, we may become subject to additional laws and regulations, which could create unexpected liabilities for us, cause us to incur additional costs or restrict our operations.

We have begun to introduce new product offerings, which may be subject to regulation by federal, state and local authorities and by authorities in foreign countries. For example, unlike our other solutions, in order to facilitate product offerings such as the sale of gift cards, we, or one or more third party payment processors acting on our behalf, may acquire, store and process consumer credit card data or other personally identifiable information. The processing of such information requires compliance with the Payment Card Industry Data Security Standard, or PCI DSS. Under the PCI DSS, we are required to maintain internal controls over the use, storage and security of credit card data and other personally identifiable information to help prevent credit card fraud. Failure to comply with this standard could result in breaches of contractual obligations with our payment processors, may subject us to fines, penalties, damages and civil liability and could eventually prevent us from processing or accepting credit cards.

Transactions involving digital rebates, the sale of gift cards, and/or the purchase of gift cards may require us to comply with numerous state, federal and international laws and regulations including federal anti-money laundering laws and regulations, the Bank Secrecy Act (BSA), anti-terrorist financing laws, and anti-bribery and corrupt practice laws and regulations, federal economic sanctions laws overseen by the Office of Foreign Assets Control, federal and state consumer protection laws and regulations, state unclaimed property (escheat) laws and money transmitter licensing requirements and foreign jurisdiction payment services industry laws and regulations. We have limited experience operating our business in accordance with these specific laws and regulations. Furthermore, if in the U.S. we are determined to be subject to the BSA, then enforcement of the BSA and other anti-money laundering and terrorist financing prevention laws or more onerous regulation could increase our or our distribution partners' compliance costs or require changes in, or place limits upon, the products and services we offer, which in turn could have a material adverse effect on our business, results of operations and financial condition. Additionally, abuse of the prepaid gift cards sold in our marketplace for purposes of financing sanctioned countries, funding terrorists, or for use in bribery or corruption or other criminal activity could cause reputational or other harm that could have a material adverse effect on our business. If we fail to comply with any of these laws or regulations, our business, results of operations and financial condition could be adversely affected.

From time to time, we may be notified of or otherwise become aware of additional laws and regulations that governmental organizations or others may claim should be applicable to our business. Our failure to anticipate the application of these laws and regulations accurately, or other failure to comply, could create liability for us, result in adverse publicity or cause us to alter our business practices, which could cause our net revenues to decrease, our costs to increase or our business otherwise to be harmed.

Fraudulent and other illegal activity involving our gift card business could lead to reputational and financial harm to us or our partners and reduce the use and acceptance of our gift card products and services.

Purchases and sales of gift cards, and particularly the purchase and sale of gift cards acquired from third parties, including consumers, rather than directly or indirectly from the issuing merchant, increase our exposure to various types of fraud committed by third parties or by our own employees. Fraud could include the sale to us of gift cards that do not contain the purported balance or the purchase of gift cards from us using stolen credit cards or other payment methods. Additionally, our gift card business subjects us to additional fraud risks associated with "merchandise credits." Merchandise credits function much like a prepaid gift card once issued. Such credits may result from organized retail theft, typically in the form of returns of stolen or fraudulently obtained goods by organized groups of professional shoplifters, or "boosters," who then convert such

goods into merchandise credits, which are sometimes then exchanged for cash. To the extent that issuing merchants, or Issuers, view the exchange of merchandise credits by our gift card business as contrary to their efforts to reduce organized retail crime, our relationships with those Issuers may be adversely affected. Issuers may also change their merchandise credit practices in a way that hurts our business. The monetary and other impacts of any criminal investigations into activities by our customers and our ongoing risk management actions may remain unknown for a substantial period of time. Our failure to anticipate, prevent or discover fraud related to gift cards, could create liability for us, result in adverse publicity or cause us to alter our business practices, any of which could cause our net revenues to decrease, our costs to increase, or our business, results of operations and financial condition to be adversely affected.

If gift card terms and conditions purporting to restrict transfer to subsequent purchasers are enforceable, our supply of gift cards would be reduced and our operating results would be materially and adversely affected.

The inventory in our gift card segment includes discounted gift cards purchased from parties who are not the issuing merchant. In certain instances, the terms and conditions of such gift cards purport to restrict transfers from the original purchaser to a third party. We do not believe such restrictions are generally enforceable as drafted. If such restrictions were enforced or found to be enforceable they could reduce the availability of discounted gift cards for purchase from third party transferees. This would in turn significantly reduce the volume of gift cards available for purchase and would leave us with insufficient supply to maintain or grow our business at expected levels. Our operating results would be materially and adversely affected if our supply of discounted gift cards were reduced by contractual restrictions on transfers.

Changes in consumer sentiment or laws, rules or regulations regarding the use of cookies and other tracking technologies, advertising blocking software and other privacy matters could have a material adverse effect on our ability to generate net revenues and could adversely affect our ability to collect proprietary data on consumer shopping behavior.

Consumers may become increasingly resistant to the collection, use and sharing of information online, including information used to deliver advertising and to attribute credit to publishers such as us in performance marketing programs, and take steps to prevent such collection, use and sharing of information. For example, consumer complaints and/or lawsuits regarding online advertising or the use of cookies or other tracking technologies in general and our practices specifically could adversely impact our business.

Consumers can currently opt out of the placement or use of most cookies for online advertising purposes by either deleting or disabling cookies on their browsers, visiting websites that allow consumers to place an opt-out cookie on their browsers, which instructs participating entities not to use certain data about consumers' online activity for the delivery of targeted advertising, or by downloading browser plug-ins and other tools that can be set to: identify cookies and other tracking technologies used on websites; prevent websites from placing third-party cookies and other tracking technologies on the user's browser; or block the delivery of online advertisements on websites and applications.

Various software tools and applications have been developed that can block advertisements from a user's screen or allow users to shift the location in which advertising appears on webpages or opt out of display, search and internet-based advertising entirely. In particular, Apple recently updated its mobile operating system to permit these technologies to work in its mobile Safari browser. In addition, changes in device and software features could make it easier for Internet users to prevent the placement of cookies or to block other tracking technologies. In particular, the default settings of consumer devices and software may be set to prevent the placement of cookies unless the user actively elects to allow them. For example, Apple's Safari browser currently has a default setting under which third-party cookies are not accepted, and users must activate a browser setting to enable cookies to be set. On February 22, 2012, the Digital Advertising Alliance announced that its members will work to add browser-based header signals to the set of tools by which consumers can express their preferences not to be tracked online. As discussed above, a 2010 FTC report on consumer privacy calls for the development and implementation of a persistent Do Not Track mechanism that enable consumers to choose whether to allow the tracking of their online search and browsing activities. Various industry participants have worked to develop and finalize standards relating to a Do Not Track mechanism, and such standards may be implemented and adopted by industry participants at any time.

We are dependent on performance marketing networks or in some instances, paid merchants, to place cookies on browsers of users that visit our websites or to use other tracking mechanisms to allow paid merchant sales through our marketplace to be attributed to us, and if we are restricted from allowing these or if they do not function in a manner that allows paid merchant sales through our marketplace to be attributed to us, our ability to generate net revenues would be significantly impaired. In particular, if consumer sentiment regarding privacy issues or the development and deployment of new browser solutions or other Do Not Track mechanisms results in a material increase in the number of users who choose to opt out or block cookies and other tracking technologies or who are otherwise using browsers where they need to, and fail to, configure

the browser to accept cookies, or otherwise results in cookies or other tracking technologies not functioning properly, our ability to conduct our business, operating results and financial condition would be adversely affected.

In addition to this change in consumer preferences, if merchants perceive significant negative consumer reaction to targeted online advertising or the tracking of consumers' online activities, they may determine that such advertising or tracking has the potential to negatively impact their brand. In that case, advertisers may limit or stop the use of our solutions, and our operating results and financial condition would be adversely affected.

Our business practices with respect to privacy, data and consumer protection could give rise to liabilities or reputational harm as a result of governmental regulation, legal obligations or industry standards relating to privacy, data and consumer protection.

Federal, state and international laws and regulations govern the collection, use, retention, sharing and security of data that we collect. In addition, certain laws impose restrictions on communications with persons by email, SMS text messages and other means of delivery. We are also subject to legal obligations concerning privacy, data and consumer protection such as the terms of our privacy policies and our privacy and data-related agreements with third parties. Our contracts with the paid merchants and performance marketing networks with which we exchange data, for example, govern our respective rights to use such data. We strive to comply with all applicable laws, regulations, self-regulatory requirements and legal obligations relating to privacy, data and consumer protection, including those relating to the use of data for marketing purposes. It is possible, however, that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. For example, several Internet companies have incurred penalties for failing to abide by the representations made in their privacy policies and practices. We cannot assure you that our practices have complied, comply, or will comply fully with all such laws, regulations, requirements and obligations. Any failure, or perceived failure, by us to comply with federal, state or international laws or regulations, including laws and regulations regulating privacy, data, marketing communications or consumer protection, our own privacy policies and practices, or other policies, self-regulatory requirements or legal obligations could result in harm to our reputation, a loss in business, and proceedings or actions against us by governmental entities, consumers, merchants or others. Additionally, if third parties we work with violate applicable laws, our policies or other privacy-related obligations, such violations may also put our users' information at risk and could in turn have an adverse effect on our business. If, for example, third parties cease to provide us with consumer data that assists in our targeted advertising to consumers, due to governmental regulation or other reasons, our business could be negatively impacted.

Government regulation of the Internet, e-commerce and mobile commerce is evolving, and unfavorable changes or failure by us to comply with these laws and regulations could substantially harm our business and results of operations.

We are subject to general business regulations and laws specifically governing the Internet, e-commerce and mobile commerce, or m-commerce, in a number of jurisdictions around the world. Existing and future regulations and laws could impede the growth of the Internet, e-commerce, m-commerce or other online services. These regulations and laws may involve taxation, tariffs, privacy and data security, anti-spam, data protection, content, copyrights, distribution, electronic contracts, electronic communications, money laundering, electronic payments and consumer protection. It is not clear how existing laws and regulations governing issues such as property ownership, sales and other taxes, libel and personal privacy apply to the Internet as the vast majority of these laws and regulations were adopted prior to the advent of the Internet and do not contemplate or address the unique issues raised by the Internet, e-commerce or m-commerce. It is possible that general business regulations and laws, or those specifically governing the Internet, e-commerce or m-commerce may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. We cannot assure you that our practices have complied, comply or will in the future comply fully with all such laws and regulations. Any failure, or perceived failure, by us to comply with any of these laws or regulations could result in damage to our reputation, a loss in business, and proceedings or actions against us by governmental entities or others. Any such proceeding or action could hurt our reputation, force us to spend significant resources in defense of these proceedings, distract our management, increase our costs of doing business, and cause consumers and paid merchants to decrease their use of our marketplace, and may result in the imposition of monetary liability. We may also be contractually liable to indemnify and hold harmless third parties from the costs or consequences of noncompliance with any such laws or regulations. In addition, it is possible that governments of one or more countries may seek to censor content available on our websites and mobile applications or may even attempt to completely block access to our marketplace. Adverse legal or regulatory developments could substantially harm our business. In particular, in the event that we are restricted, in whole or in part, from operating in one or more countries, our ability to retain or increase our customer base may be adversely affected and we may not be able to maintain or grow our net revenues as anticipated.

If use of the Internet and mobile applications as a medium of commerce does not continue to grow, or contracts, our business may suffer.

The business of selling goods and services over the Internet and via mobile applications, and the use of digital offers (including gift cards) in those transactions, is dynamic and relatively new. Concerns about fraud, privacy and other challenges may discourage additional consumers from adopting the Internet and mobile applications as a medium of commerce. Acquiring new customers for our marketplace and increasing consumer traffic may become more difficult and costly than it has been in the past, particularly in markets where our marketplace has been available for some time. In order to increase consumer traffic to our websites and increase use of our mobile applications, we must appeal to consumers who historically have used traditional means of commerce to purchase goods and services and may prefer alternatives to our websites and mobile applications, such as the merchant's own website or mobile application. In addition, consumers may not be accustomed to using one of our mobile applications to access digital offers (including gift cards) that can be used by the consumer while in a retail store or restaurant. If these consumers prove to be less active than consumers who are already providing traffic to our websites or using our mobile applications, or we are unable to gain efficiencies in our operating costs, including our cost of increasing consumer traffic to our websites or increasing the number of mobile application sessions, our business could be adversely impacted. Furthermore, to the extent that weak economic conditions cause consumer spending to decline or cause our customers and potential customers to freeze or reduce their marketing budgets, particularly in the online retail market, demand for our solutions may be negatively affected.

We may face liability for, and may be subject to claims related to, inaccurate or outdated content or digital offers provided to us, or content or digital offers provided to us without permission, which could require us to pay significant damages, may be extremely costly to defend even if decided in our favor and could limit our ability to operate.

The information on our websites and mobile applications that is provided by performance marketing networks and merchants and collected from third parties relates to digital offers from merchants. We are exposed to the risk that some of this content or digital offers may contain inaccurate or outdated information about retailer products or services or the discounts thereon, or digital offers that are not made available or intended to be made available to all consumers. This could cause consumers and merchants to lose confidence in the information or digital offers provided on our platform or become dissatisfied with our platform and result in lawsuits being filed against us.

In addition, we currently face and may in the future be exposed to potential liability relating to information that is published or made available through our marketplace, including information generated by us, user-generated content and proprietary information of third parties. This content may expose us to claims related to trademark and copyright infringement and other intellectual property rights, rights of privacy, defamation, fraud, negligence, breach of contract, tortious interference, unfairness, deceptiveness, false or misleading advertising, personal injury torts, noncompliance with state or federal laws relating to digital offers or other theories based on the nature and content of the information. The laws relating to the liability of service providers for activities of their users is currently unsettled both within the U.S. and internationally, although risks related to these types of lawsuits may be enhanced in certain jurisdictions outside the U.S. where our protection from liability for third-party actions is more unclear and where we may be less protected under local laws than we are in the U.S.

Such claims or lawsuits currently and could in the future divert the time and attention of management and technical personnel away from our business and result in significant costs to investigate and defend, regardless of the merits of the claims. Such potential claims and lawsuits could also result in significant damages if we are found liable. The scope and amount of our insurance may not adequately protect us against these types of damages. Additionally, as a result of such claims, we have elected and may in the future elect or be compelled to remove valuable content from our websites or mobile applications, which could decrease the usefulness of our platform for consumers and result in less traffic to our websites and less usage of our mobile applications. If any of these events occur, our business and financial results could be adversely affected.

Our business could suffer if the jurisdictions in which we operate change the way in which they regulate user-generated content.

Our business, including our ability to operate and expand internationally, could be adversely affected if legislation or regulations are adopted, interpreted or implemented in a manner that is inconsistent with our current business practices related to user-generated content and that requires changes to these practices or the design of our platform or solutions. For example, laws relating to the liability of providers of online services for activities of their users and other third parties are currently being tested by a number of claims against third parties, including actions based on invasion of privacy and other torts, unfair competition, copyright and trademark infringement and other theories based on the nature and content of the materials

searched, the ads posted or the content provided by users. If immunities currently afforded to websites that publish user-generated content are limited, we may be compelled to remove content from our platform that we would otherwise publish or restrict the types of businesses that we can promote digital offer content for, among other changes. Such changes in law could increase our operating costs and make it more difficult for consumers to use our platform, resulting in less consumer traffic and net revenues, and our business and operating results could suffer.

The growth of e-commerce in the U.S. could suffer if the federal government implements new regulations that obligate merchants, or permit states to obligate merchants, to collect sales taxes from consumers on certain e-commerce transactions, which would adversely affect our growth.

Legislation introduced in the U.S. Senate as S. 698 in March 2015 would grant states the authority to require out-of-state merchants to collect and remit sales taxes. The adoption of remote sales tax collection legislation would result in the imposition of sales taxes and additional costs associated with complex sales tax collection, remittance and audit compliance requirements on many of our merchants, which would make selling online or through mobile applications less attractive for these merchants. Additionally, the introduction of new or increased taxes applicable to online transactions could make online purchases less attractive to consumers relative to in-store retail purchases. These changes could substantially impair the growth of e-commerce in the U.S., and could diminish our opportunity to derive financial benefit from our activities in the U.S.

We may be sued by third parties for infringement or other violation of their intellectual property or proprietary rights.

Internet, advertising and e-commerce companies frequently are subject to litigation based on allegations of infringement, misappropriation, dilution or other violations of intellectual property rights. Some Internet, advertising and e-commerce companies, including some of our competitors, own large numbers of patents, copyrights, trademarks and trade secrets, which they may use to assert claims against us.

Third parties have asserted, and may in the future assert, that we have infringed, misappropriated or otherwise violated their intellectual property rights.

For instance, the use of our technology to provide our solutions could be challenged by claims that such use infringes, dilutes, misappropriates or otherwise violates the intellectual property rights of a third party. In addition, we currently face and may in the future be exposed to claims that content published or made available through our websites or mobile applications violates third-party intellectual property rights. For example, merchants and other third parties frequently have complained that their trademarks, copyrights or other intellectual property are being used on our websites or mobile applications without their permission and in violation of their rights or in violation of laws or regulations.

As we face increasing competition and as a public company, the possibility of intellectual property rights claims against us grows. Such claims and litigation may involve patent holding companies or other adverse intellectual property rights holders who have no relevant product revenue, and therefore our own pending patents and other intellectual property rights may provide little or no deterrence to these rights holders in bringing intellectual property rights claims against us. There may be intellectual property rights held by others, including issued or pending patents and trademarks, that cover significant aspects of our technologies, content, branding or business methods, and we cannot assure that we are not infringing or violating, and have not violated or infringed, any third-party intellectual property rights or that we will not be held to have done so or be accused of doing so in the future.

Any claim that we have violated intellectual property or other proprietary rights of third parties, with or without merit, and whether or not it results in litigation, is settled out of court or is determined in our favor, could be time-consuming and costly to address and resolve, and could divert the time and attention of management and technical personnel from our business. Furthermore, an adverse outcome of a dispute may result in an injunction and could require us to pay substantial monetary damages, including treble damages and attorneys' fees, if we are found to have willfully infringed a party's intellectual property rights. Any settlement or adverse judgment resulting from such a claim could require us to enter into a licensing agreement to continue using the technology, content or other intellectual property that is the subject of the claim; restrict or prohibit our use of such technology, content or other intellectual property; require us to expend significant resources to redesign our technology or solutions; and require us to indemnify third parties. Royalty or licensing agreements, if required or desirable, may be unavailable on terms acceptable to us, or at all, and may require significant royalty payments and other expenditures. There also can be no assurance that we would be able to develop or license suitable alternative technology, content or other intellectual property to permit us to continue offering the affected technology, content or services to our customers. Any of these events could harm our business, operating results and financial condition.

Failure to protect or enforce our intellectual property rights could harm our business and results of operations.

We pursue the registration of our patentable technology, domain names, trademarks and service marks in the U.S. and in certain jurisdictions abroad. We also strive to protect our intellectual property rights by relying on federal, state and common law rights, as well as contractual restrictions. We typically enter into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with parties with whom we conduct business in order to limit access to, and disclosure and use of, our proprietary information. However, we may not be successful in executing these agreements with every party who has access to our confidential information or contributes to the development of our technology or intellectual property rights. Those agreements that we do execute may be breached, and we may not have adequate remedies for any such breach. These contractual arrangements and the other steps we have taken to protect our intellectual property rights may not prevent the misappropriation or disclosure of our proprietary information nor deter independent development of similar technology or intellectual property by others.

Effective trade secret, patent, copyright, trademark and domain name protection is expensive to obtain, develop and maintain, both in terms of initial and ongoing registration or prosecution requirements and expenses and the costs of defending our rights. We are seeking to protect our patentable technology, trademarks and domain names in an increasing number of jurisdictions, a process that is expensive and may not be successful or which we may not pursue in every location. We may, over time, increase our investment in protecting our intellectual property through additional patent filings that could be expensive and time-consuming. We have four patents issued, four patent applications that have been allowed and 97 pending patent applications. We do not know whether any of our pending patent applications will result in the issuance of additional patents or whether the examination process will require us to narrow our claims or we may otherwise be unable to obtain patent protection for the technology covered in our pending patent applications. Our patents, trademarks and other intellectual property rights may be challenged by others or invalidated through administrative process or litigation. Moreover, any issued patents may not provide us with a competitive advantage and, as with any technology, competitors may be able to develop similar or superior technologies to our own, now or in the future.

Additionally, in the U.S., several significant developments in the intellectual property industry, including the continued effect of the Leahy-Smith America Invents Act of 2011 (including several new means by which challenges of patents may be effected) and the Supreme Court holding in the Alice Corp. v. CLS Bank International case, which called into question the patentability of computer software, may negatively impact our ability to obtain patents or enforce patent rights. For example, the claims of our patent applications may fail to issue, or if they do issue, may subsequently be challenged or invalidated, based on these developments.

Monitoring unauthorized use of the content on our websites and mobile applications, and our other intellectual property and technology, is difficult and costly. Our efforts to protect our proprietary rights and intellectual property may not have been and may not be adequate to prevent their misappropriation or misuse. Third parties from time to time copy content or other intellectual property or technology from our solutions without authorization and seek to use it for their own benefit. We generally seek to address such unauthorized copying or use, but we have not always been successful in stopping all unauthorized use of our content or other intellectual property or technology, and may not be successful in doing so in the future. Further, we may not have been and may not be able to detect unauthorized use of our technology or intellectual property, or to take appropriate steps to enforce our intellectual property rights. Our competitors may also independently develop similar technology. Effective patent, trademark, copyright and trade secret protection may not be available to us in every country in which our solutions or technology are hosted or available. The laws of some foreign countries may not be as protective of intellectual property rights as those in the U.S., and mechanisms for enforcement of intellectual property rights may be inadequate. Further, legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. The laws in the U.S. and elsewhere change rapidly, and any future changes could adversely affect us and our intellectual property. Our failure to meaningfully protect our intellectual property rights could result in competitors offering solutions that incorporate our most technologically advanced features, which could reduce demand for our solutions.

We may find it necessary or appropriate to initiate claims or litigation to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of intellectual property rights claimed by others. Litigation is inherently uncertain and any litigation of this nature, regardless of outcome or merit, could result in substantial costs and diversion of management and technical resources, any of which could adversely affect our business and operating results. If we fail to maintain, protect and enhance our intellectual property, our business and operating results may be harmed.

The United Kingdom electorate voted in favor of a U.K. exit from the E.U. in a referendum, which could adversely impact our business, results of operations and financial condition.

The United Kingdom, or U.K., government held an in-or-out referendum on the U.K.'s membership in the European Union, or E.U., in June 2016, which resulted in the electorate voting in favor of a U.K. exit from the E.U., or Brexit. It is expected that a process of negotiation will now determine the future terms of the U.K.'s relationship with the E.U. We have operations and employees in offices in the U.K. and elsewhere in the E.U., and conduct business throughout Europe. Depending on the terms of Brexit, we could face new regulatory costs and challenges in operating our U.K and E.U. businesses. For instance, the U.K. could lose access to the single E.U. market and to the benefits of the trade regimes negotiated by the E.U. on behalf of its members. A decline in trade or general economic slowdown could affect the prospects of our U.K. or other European businesses. Additionally, currency exchange rates in the British pound and the Euro with respect to each other and with respect to the U.S. dollar have already been affected by Brexit. Because a material portion of our revenues are derived from our U.K. and E.U. operations, and because those revenues can be sensitive to foreign currency exchange rates, particularly with respect to the U.S. dollar, the British pound and the Euro, future exchange rate fluctuations could negatively impact our business. Any adjustments we are required make to our business and operations as a result of Brexit could result in significant expense and distraction to management. Any of the foregoing factors could have a material adverse effect on our business, results of operations or financial condition.

We are subject to international business uncertainties that could adversely affect our operations and operating results.

Our net revenues from operations outside the U.S. comprised 20.6% of our Core operating segment net revenues in 2016. During 2016, we operated international websites marketing to residents of Canada, France, Germany, Italy, the Netherlands, Poland, Spain and the U.K. As of December 31, 2016, we had operations in the U.K., France and the Netherlands. In December 2016, we elected to close international websites in all countries other than the UK, France and Canada in order to focus resources and management attention on our most successful properties. Operating in foreign countries requires significant resources and management attention, and we have limited experience entering new geographic markets. In addition, the varying commercial and Internet infrastructure in other countries may make it difficult for us to replicate our business model. In many countries, we compete with local companies that have more experience in their respective markets than we do, and we may not benefit from first-to-market advantages. To achieve widespread acceptance in new countries and markets, we must continue to tailor our solutions and business model to the unique circumstances of such countries and markets, which can be difficult and costly. Failure to adapt practices and models effectively to each country into which we expand could slow our international growth. We cannot assure you that our international efforts will be successful. International sales and operations may be subject to risks such as:

- competition with local or foreign companies operating in or entering the same markets;
- the suitability, compatibility and successful implementation of the shared information technology infrastructure that we have developed to power our marketplace in certain of our international markets;
- the cost and resources required to localize our solutions, while maintaining paid merchant and consumer satisfaction such that our marketplace will continue to attract high quality paid merchants;
- difficulties in staffing and managing foreign operations due to distance, time zones, language and cultural differences;
- higher product return rates;
- burdens of complying with a wide variety of laws and regulations, including regulation of digital offer terms, Internet services, privacy and data protection, bulk emailing and anti-competition regulations, which may limit or prevent us from offering of our solutions in some jurisdictions or limit our ability to enforce contractual obligations;
- exposure to markets where there is a concentration of merchants and those merchants individually or collectively exercise their market power to negotiate lower commissions or cease to monetize with us entirely;
- adverse tax effects and foreign exchange controls making it difficult to repatriate earnings and cash;
- political and economic instability;
- terrorist activities and natural disasters;
- differing employment practices and laws and labor disruptions;
- technology compatibility;
- credit risk and higher levels of payment fraud;
- increased financial accounting and reporting burdens and complexities and difficulties in implementing and maintaining adequate internal controls;

- slower adoption of the Internet as an advertising, broadcast and commerce medium in certain of those markets as compared to the U.S.;
- lower levels of consumer spending and fewer opportunities for growth compared to the U.S.;
- preference for local vendors; and
- different or lesser degrees of intellectual property protection.

In addition, the U.S. has in the past proposed, and is currently evaluating, changes to the corporate tax structure that would include taxation of offshore earnings of U.S. businesses. If this were to occur, our effective tax rates would likely increase. Further, we are subject to U.S. and foreign legislation, such as the Foreign Corrupt Practices Act and the U.K. Bribery Act. While we maintain high standards of ethical conduct, our policies, training and monitoring of compliance with applicable anti-corruption laws are at an early stage of development. If any of our employees or agents were to violate these laws in the conduct of our business, we could be subject to substantial penalties and our reputation could be impaired.

These factors could have an adverse effect on our net revenues from advertisers located outside the U.S. and, consequently, on our business and operating results.

We may be unable to continue the use of our domain names, or prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of our brands, trademarks or service marks.

We have registered domain names for our websites that we use in our business. If we lose the ability to use a domain name, whether due to trademark claims, failure to renew the applicable registration, or any other cause, we may be forced to market our solutions under a new domain name, which could cause us substantial harm, or to incur significant expense in order to purchase rights to the domain name in question. In addition, our competitors and others could attempt to capitalize on our brand recognition by using domain names similar to ours. Domain names similar to ours have been registered in the U.S. and elsewhere. We may be unable to prevent third parties from acquiring and using domain names that infringe on, are similar to, or otherwise decrease the value of our brands, trademarks or service marks. Protecting and enforcing our rights in our domain names may require litigation, which could result in substantial costs and diversion of management's attention.

ICANN (the Internet Corporation for Assigned Names and Numbers), the international authority over top-level domain names, has been increasing the number of generic top-level domains, or "TLDs." This may allow companies or individuals to create new web addresses that appear to the right of the "dot" in a web address, beyond such long-standing TLDs as ".com," ".org" and ".gov." ICANN may also add additional TLDs in the future. As a result, we may be unable to maintain exclusive rights to all potentially relevant or desirable domain names in the United States or in other countries in which we operate, which may harm our business. Furthermore, attempts may be made by third parties to register our trademarks as new TLDs or as domain names within new TLDs, and we may be required to enforce our rights against such registration attempts, which could result in significant expense and the diversion of management's attention.

The consumer traffic to our websites and mobile applications may decline and our business may suffer if other companies copy information from our marketplace and publish or aggregate it with other information for their own benefit.

From time to time, other companies copy information or content from our marketplace or email channels, through website scraping, robots or other means, and publish or aggregate it with other information for their own benefit. When third parties copy, publish or aggregate content from our platform, it makes them more competitive, and decreases the likelihood that consumers will visit our websites or use our mobile applications to search and discover the information they seek, which could negatively affect our business, results of operations and financial condition. We may not be able to detect such third-party conduct in a timely manner or at all and, even if we are able to identify these situations, we may not be able to prevent them and have not always been able to prevent them in the past. In some cases, particularly in the case of websites operating outside of the U.S., our available remedies may be inadequate to protect us against such practices. In addition, we may be required to expend significant financial or other resources to successfully enforce our rights.

Indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement, violation of law and other losses.

Our agreements with paid merchants, performance marketing networks and other third parties may include indemnification provisions under which we agree to indemnify them for losses suffered or incurred as a result of claims of intellectual property infringement, sales taxes due as a result of our activities within a state or other liabilities relating to or

arising from our products, services or other contractual obligations, including noncompliance with any laws, regulations, self-regulatory requirements or other legal obligations relating to privacy, data protection and consumer protection or any inadvertent or unauthorized use or disclosure of data that we store or handle as part of operating our business. Any such proceeding or action, and any related indemnification obligation, could hurt our reputation, force us to incur significant expenses in defense of these proceedings, distract our management, increase our costs of doing business and cause consumers and paid merchants to decrease their use of our marketplace, and may result in substantial monetary liability. The term of these indemnity provisions generally survives termination or expiration of the applicable agreement.

We rely on information technology to operate our business and maintain competitiveness, and any failure to adapt to technological developments or industry trends could harm our business.

We depend on the use of information technologies and systems. As our operations grow, we must continuously improve and upgrade our systems and infrastructure while maintaining or improving the reliability and integrity of our infrastructure. Our future success also depends on our ability to adapt our systems and infrastructure to meet rapidly evolving consumer trends and demands while continuing to improve the performance, features and reliability of our solutions in response to competitive services and product offerings. The emergence of alternative platforms such as smartphones and tablets and the emergence of niche competitors who may be able to optimize products, services or strategies for such platforms will require new investment in technology. New developments in other areas, such as cloud computing, could also make it easier for competition to enter our markets due to lower up-front technology costs. In addition, we may not be able to maintain our existing systems or replace or introduce new technologies and systems as quickly as we would like or in a cost-effective manner.

Some of our solutions contain open source software, which may pose particular risks to our proprietary software and solutions.

We use open source software in our solutions and will use open source software in the future. Some licenses governing our use of open source software contain requirements that we make available source code for modifications or derivative works we create based upon the open source software, and that we license such modifications or derivative works under the terms of a particular open source license or other license granting third parties certain rights of further use. By the terms of certain open source licenses, we could be required to release the source code of our proprietary software, and to make our proprietary software available under open source licenses, if we combine our proprietary software with open source software in certain manners. Although we monitor our use of open source software, we cannot assure you that all open source software is reviewed prior to use in our solutions, that our developers have not incorporated open source software into our solutions, or that they will not do so in the future. Additionally, the terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts. There is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market or provide our solutions. In addition, the terms of open source software licenses may require us to provide software that we develop using such open source software to others on unfavorable license terms. As a result of our current or future use of open source software, we may face claims or litigation, be required to release our proprietary source code, pay damages for breach of contract, re-engineer our solutions, discontinue making our solutions available in the event re-engineering cannot be accomplished on a timely basis or take other remedial action. Any such re-engineering or other remedial efforts could require significant additional research and development resources, and we may not be able to successfully complete any such re-engineering or other remedial efforts. Further, in addition to risks related to license requirements, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a negative effect on our business, financial condition and operating results.

We may be unable to identify suitable candidates for strategic transactions, effectively integrate newly acquired businesses or technology, or achieve expected operating results from acquisitions or other strategic transactions.

Part of our growth strategy is to increase our net revenues and improve our operating results through the acquisition of, or entry into other strategic transactions such as partnerships with similar or complementary businesses. There can be no assurance that suitable candidates for acquisitions or other strategic transactions will be identified or, if suitable candidates are identified, that strategic transactions can be completed on acceptable terms, if at all.

Since our inception, we have completed numerous acquisitions and other strategic transactions, and we may continue to enter into strategic transactions in the future. Our success will depend in part on our ability to identify, negotiate, and complete strategic transactions and integrate acquired businesses or technology and, if necessary, satisfactory debt or equity financing to

fund those transactions. As is the case with our current debt facility, if we finance a strategic transaction with debt financing, we will incur interest expense and may have to comply with financing covenants or secure the debt obligations with our assets. Mergers and acquisitions and other strategic transactions are inherently risky, and any transactions we complete may not be successful. Any strategic transactions we undertake in the future would involve numerous risks, any of which could have an adverse effect on our business, financial condition or operating results, including the following:

- use of cash resources and incurrence of debt and contingent liabilities in funding strategic transactions, which may limit our operational flexibility and other potential uses of our cash, including stock repurchases, dividend payments and retirement of outstanding indebtedness;
- expected and unexpected costs incurred in identifying and pursuing strategic transactions and performing due diligence regarding potential strategic transactions that may or may not be successful;
- failure of the acquired company to achieve anticipated consumer traffic, revenue, earnings, cash flows or other desired financial, operational or technological goals;
- our responsibility for the liabilities of the businesses we acquire, including the assumption of liabilities that were not disclosed to us or that exceed our estimates;
- difficulties in integrating and managing the combined operations, technologies and solutions;
- failure to identify all of the problems, liabilities or other shortcomings or challenges of a counterparty to a strategic transaction or an acquired company, including issues related to intellectual property, solution quality or architecture, inventory quality or sufficiency, regulatory compliance practices, revenue recognition or other accounting practices or employee or customer issues;
- diversion of management's attention or other resources from our existing business;
- inability to maintain the key business relationships and the reputations of the businesses we acquire;
- difficulties in assigning or transferring technology or intellectual property licensed by acquired companies from third parties to us or our subsidiaries;
- uncertainty of entry into markets in which we have limited or no prior experience or in which competitors have stronger market positions;
- our dependence on unfamiliar merchants or performance marketing networks of the companies we acquire;
- insufficient incremental revenue to offset our increased expenses associated with strategic transactions;
- our inability to maintain internal standards, controls, procedures and policies;
- challenges in integrating and auditing the financial statements of acquired companies that have not historically prepared financial statements in accordance with U.S. generally accepted accounting principles;
- impairment of goodwill or other intangible assets such as trademarks or other intellectual property arising from acquisitions;
- amortization of expenses related to acquired intangible assets and other adverse accounting consequences;
- potential loss of key employees from the companies we acquire, as has occurred after previous acquisitions;
- dilution of our stockholders' ownership interests if we finance all or a portion of the purchase price of any strategic transactions by issuing equity; and
- litigation or other claims from the counterparty to the strategic transaction, including claims from former stockholders, claims related to intellectual property infringement or other matters or various commercial or tort claims.

Further, we rely heavily on the representations and warranties provided to us by counterparties to strategic transactions, including the sellers of acquired companies and assets, including as they relate to creation of, ownership of and rights in intellectual property, existence of open source code, existence of encumbrances and operating restrictions and compliance with laws and contractual requirements. If any of these representations and warranties is inaccurate or breached, such inaccuracy or breach could result in costly litigation and assessment of liability for which there may not be adequate recourse against such sellers, in part due to contractual time limitations and limitations of liability.

We may need additional capital in the future, which may not be available to us on favorable terms, or at all, and may dilute your ownership of our Series 1 common stock.

As of December 31, 2016, we have an aggregate of 87,460,473 shares of Series 1 common stock authorized but unissued and not reserved for issuance under our stock option plans or otherwise. We may issue all of these shares without any action or approval by our stockholders, subject to certain limitations of the NASDAQ Global Select Market. We may require additional capital from equity or debt financing in the future in order to take advantage of strategic opportunities, or to support our

existing business. We may not be able to secure timely additional financing on favorable terms, or at all. The terms of any additional financing may place limits on our financial and operating flexibility, including our ability to issue or repurchase equity, develop new or enhanced existing products, complete acquisitions or otherwise take advantage of business opportunities. If we raise additional funds or finance acquisitions through further issuances of equity, convertible debt securities or other securities convertible into equity, you and our other stockholders could suffer significant dilution in your percentage ownership of our company, and any new securities we issue could have rights, preferences and privileges senior to those of holders of our Series 1 common stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us, if and when we require it, our ability to grow or support our business and to respond to business challenges could be significantly limited.

Our business relies in part on email and other messaging, and any technical, legal or other restrictions on the sending of emails or messages or an inability to timely deliver such communications could harm our business.

Our business is in part dependent upon email and other messaging. We provide emails and mobile alerts and other messages to consumers informing them of the offers on our websites and mobile applications, and these communications help generate a portion of our net revenues. We also use email to deliver electronic gift cards to consumers. Because of the importance of email and other messaging services to our business, if we are unable to successfully deliver emails or other messages to consumers, if there are legal restrictions on delivering these messages to consumers, or if consumers do not open our emails or messages, our net revenues and profitability could be adversely affected. Changes in how webmail applications organize and prioritize email may result in our emails being delivered in a less prominent location in a consumer's inbox or viewed as "spam" by consumers and may reduce the likelihood of that consumer opening our emails. Actions by third parties to block, impose restrictions on or charge for the delivery of emails or other messages could also harm our business. From time to time, Internet service providers or other third parties may block bulk email transmissions or otherwise experience technical difficulties that result in our inability to successfully deliver emails or other messages to consumers. Changes in the laws or regulations that limit our ability to send such communications or impose additional requirements upon us in connection with sending such communications would also adversely impact our business. We also rely on social networking messaging services to send communications. Changes to the terms of these social networking services to limit promotional communications, any restrictions that would limit our ability or our customers' ability to send communications through their services, disruptions or downtime experienced by these social networking services or decline in the use of or engagement with social networking services by consumers could harm our business.

We rely on third-party services for the delivery of emails and other messages, and delays or errors in the delivery of such emails or other messaging we send have occurred and may in the future occur and be beyond our control, which could result in damage to our reputation or harm our revenues, business, financial condition and operating results. If we were unable to use our current email service or other messaging services, alternate services are available; however, we believe our results could be impacted for some period if we transition to a new provider. Any disruption or restriction on the distribution of our emails or other messages, termination or disruption of our relationship with our messaging service providers, including our third-party services that deliver our emails and other messages, or any increase in our costs associated with our email and other messaging activities could harm our business.

We receive important services from third-party vendors, and replacing them would be difficult and disruptive to our business.

We rely on third-party vendors to provide certain services relating to our business and it would be difficult to replace some of our third-party vendors in a timely manner, in particular, Amazon Web Services, our third party payment processor and our third party fraud detection providers, in a timely manner if they were unwilling or unable to provide us with these services in the future, and consequently our business and operations could be adversely affected. If we are required to replace a vendor, we may not be able to do so on acceptable terms, or at all. Also, to the extent that any third-party vendor fails to deliver services, either in a timely, satisfactory manner, or at all, our business, results of operations and financial condition could be materially and adversely affected.

We may have exposure to greater than anticipated tax liabilities.

We are subject to taxes in the United States (federal and state) and numerous foreign jurisdictions. Significant judgment is required in evaluating our tax positions and determining our provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. For example, our effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower

statutory rates and higher than anticipated in countries where we have higher statutory rates, losses incurred in jurisdictions for which we are not able to realize the related tax benefit, by our inability to achieve the intended tax consequences of our recent corporate restructuring of our European operations, by changes in foreign currency exchange rates or by changes in the relevant tax, accounting and other laws, regulations, principles and interpretations. As we operate in numerous taxing jurisdictions, the application of tax laws can be subject to diverging and sometimes conflicting interpretations by tax authorities of these jurisdictions. It is not uncommon for taxing authorities in different countries to have conflicting views, for instance, with respect to, among other things, the manner in which the arm's length standard is applied for transfer pricing purposes, or with respect to the valuation of intellectual property. In addition, tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied.

We also are subject to audits by both U.S. federal and state and foreign tax authorities. Any adverse outcome of such a review or audit could have a negative effect on our financial position and results of operations. In addition, the determination of our worldwide provision for income taxes and other tax liabilities requires significant judgment by management, and there are many transactions where the ultimate tax determination is uncertain. Although we believe that our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made.

The enactment of legislation implementing changes in the U.S. taxation of international business activities or the adoption of other tax reform policies, within the U.S. or internationally, could adversely impact our financial condition and results of operations.

The current administration has made public statements indicating that it has made international tax reform a priority, and key members of the U.S. Congress have conducted hearings and proposed new legislation. Recent changes to U.S. tax laws, including limitations on the ability of taxpayers to claim and utilize foreign tax credits and the deferral of certain tax deductions until earnings outside of the U.S. are repatriated to the U.S., as well as changes to U.S. tax laws that may be enacted in the future, could impact the tax treatment of our foreign earnings, as well as cash and cash equivalent balances we currently maintain outside of the U.S. We are also subject to the taxation regimes of numerous foreign jurisdictions where our subsidiaries are organized or operate. Due to economic and political conditions, tax rates and policies in the U.S. or internationally may be subject to significant change. For example, effective April 1, 2015, the U.K. enacted a new taxing regime known as the diverted profits tax, which aims to counteract arrangements by corporate multinationals that result in the erosion of the U.K. tax base and that could increase our effective tax rate in that jurisdiction. As we expand our international business activities, any changes in the U.S. or foreign taxation of such activities may increase our worldwide effective tax rate and, in turn, adversely impact our financial condition and results of operations.

We rely on performance marketing networks and paid merchants to determine the amount payable to us accurately. If their reports are inaccurate or delayed, our operating results could be harmed and we could experience fluctuations in our performance.

Our performance marketing networks and paid merchants typically pay us on a monthly basis based upon sales generated from digital offers. We rely on our performance marketing networks and paid merchants to report accurately and in a timely manner the amount of commission revenues earned by us. We calculate our net revenues, prepare our financial reports, projections and budgets and direct our advertising, marketing and other operating efforts based in part on reports we receive from our performance marketing networks and paid merchants. It is difficult for us to determine independently whether our performance marketing networks or paid merchants are reporting all revenue data due to us. We have occasionally experienced instances of incomplete or delayed reports from our performance marketing networks and paid merchants, and we generally do not have the contractual right to audit our performance marketing networks or paid merchants. We have also experienced instances where payments may not be made by paid merchants through performance marketing networks, which can increase the likelihood that accounts receivable will be written off as uncollectible. To the extent that our performance marketing networks or paid merchants fail to report accurately the amount of net revenues payable to us in a timely manner or at all, we will not recognize and collect net revenues to which we are entitled, which could harm our operating results. If we are allowed to audit a performance marketing network or paid merchant and do so, or if we otherwise dispute the accuracy of a revenue report a performance marketing network or paid merchant has delivered to us, our recognition of net revenues to which we may ultimately be entitled could be delayed. Conversely, if a performance marketing network or paid merchant delivers a report overstating the amount of net revenues earned by us in one period and attempts to reverse the overpayment in a subsequent period, whether by seeking a refund from us or reducing a future payment due to us, our recognition of revenue could be overstated. Any such delay or overstatement in our revenue recognition could harm our business and operating results.

We obtain the revenue reporting information from our performance marketing networks using a variety of methods, including the use of file transfer protocol file feeds, various application programming interfaces provided by the performance marketing networks and manual downloads of data from the performance marketing networks' web portals. The use of any of these methods, in isolation, inherently subjects us to lower levels of internal control over revenue data, which could result in a misstatement of our net revenues. We have automated the process for collecting a substantial portion of the data necessary to record our net revenues. We currently augment this automated data collection process with manual validation of data from certain of the performance marketing networks' web portals to help minimize risk of error. However, our validation methods may evolve over time. We cannot guarantee our ability to detect all errors in the data obtained automatically, which could affect our ability to accurately report our net revenues.

If we are unable to comply with all covenants of our current and future debt arrangements, and if our lenders fail to waive any violation of those covenants by us, we could be subject to substantial penalties, which would impair our ability to operate and adversely affect our operating results.

We currently have a term debt facility that provides us with cash, which we use to fund our operations and which requires us to comply with a number of restrictive covenants. We may enter into other debt arrangements in the future, which may contain similar or additional restrictive covenants. We are currently subject to covenants related to minimum trailing twelve-month EBITDA levels, a total debt to EBITDA ratio, a senior secured debt to EBITDA ratio, and a fixed charge coverage ratio (each as more fully described in our second amended and restated revolving credit and term loan agreement), and the defense of our intellectual and other property, among others. We may become subject to additional covenants in connection with future debt arrangements. As the margin profile of our business evolves, compliance with certain of these covenants and in particular minimum trailing twelve month EBITDA levels could become difficult to maintain. If we are unable to comply with one or more covenants applicable to us and our lenders are unwilling to waive our noncompliance, our lenders may have the right to terminate their commitments to lend to us, cause all amounts outstanding to become due and payable immediately, sell certain of our assets which are collateral for our obligations upon the satisfaction of certain conditions and take other measures which may impair our operations. If funds under our loan arrangements become unavailable or if we are forced unexpectedly to repay amounts outstanding under our loan arrangements, our assets and cash flow may be insufficient to make such repayments or may leave us with insufficient funds to continue our operations as planned and would have a material adverse effect on our business.

If we cannot maintain our corporate culture, we could lose the innovation, teamwork and focus that contribute to our business.

We believe that a critical component of our success has been our corporate culture, which we believe fosters innovation, encourages teamwork, cultivates creativity and promotes focus on execution. We have invested and continue to invest substantial time, energy and resources in building a highly collaborative team that works together effectively in an environment designed to promote openness, honesty, mutual respect and the pursuit of common goals. As we continue to develop the infrastructure of a public company, we may find it difficult to maintain these valuable aspects of our corporate culture and to attract competent personnel who are willing to embrace our culture. Any failure to preserve our culture could negatively impact our future success, including our ability to attract and retain personnel, encourage innovation and teamwork and effectively focus on and pursue our corporate objectives.

We are subject to currency exchange risk in connection with our international business operations and are exposed to interest rate risk.

Cash inflows and outflows in our international operations are typically denominated in currencies other than the U.S. dollar, which is our functional currency for financial reporting purposes. For 2016, 2015 and 2014 approximately 20.6%, 21.4% and 21.8%, respectively, of our Core operating segment net revenues were denominated in such foreign currencies. In addition, certain intercompany indebtedness between us and a foreign subsidiary is Euro denominated. Our reliance on and exposure to foreign currencies subjects our financial results to fluctuations in currency exchange rates and changes in the proportion of our net revenues and expenses attributable to each of our foreign locations. For example, we recognized a foreign exchange gain of $0.3 million, a foreign exchange loss of $0.4 million and a foreign exchange loss of $0.9 million in 2016, 2015 and 2014, respectively. In addition, we expect our exposure to fluctuations in foreign exchange rates to increase as we expand our business in existing and new international markets and when the exchange rates strengthen or weaken against the U.S. dollar. We began entering into hedging arrangements related to certain exposures to foreign currency risk in December 2014, and we expect to continue to enter into hedging arrangements in the future in order to manage our exposure to foreign currency

fluctuations, but such activity may not completely eliminate fluctuations in our operating results. Foreign currency exchange rate fluctuations have adversely impacted our profitability and may continue to do so in the future.

In addition, we face exposure to fluctuations in interest rates for amounts outstanding under our credit facility, which may increase our borrowing costs, adversely impacting our profitability.

Our balance sheet includes significant amounts of goodwill and intangible assets. We may be required to record a significant charge to earnings if our goodwill or amortizable intangible assets become impaired.

As a result of our acquisitions, a significant portion of our total assets consists of goodwill and intangible assets. Combined, goodwill and intangible assets, net of accumulated amortization, accounted for approximately 42.3% of the total assets on our consolidated balance sheets as of December 31, 2016. We may not realize the full value of our intangible assets and goodwill. We are required under GAAP to review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or any other significant adverse change that would indicate that the carrying amount of an asset or group of assets may not be recoverable. The events and circumstances we consider include the business climate, legal factors, operating performance indicators and competition. In 2016 and 2015, we recorded charges against earnings of $0.8 million and $2.3 million, respectively, for impairment of our amortizable intangible assets and in the future we may be required to record a significant charge to earnings in our consolidated financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined. This could adversely impact our results of operations.

Risks Related to Ownership of Our Common Stock

Our stock price is highly volatile.

The trading price of our common stock has been, and is likely to continue to be, highly volatile. Since shares of our common stock were sold in our initial public offering in July 2013 at a price of $21.00 per share, the reported high and low sales prices of our Series 1 common stock has ranged from $5.52 to $48.73 per share through December 31, 2016. The trading price of our stock has been and is likely to continue to be subject to wide fluctuations in response to various factors, including the risk factors described in this section and elsewhere in this Annual Report on Form 10-K, and other factors beyond our control. Factors affecting the trading price of our common stock include:

- variations in our actual or projected operating results or the operating results of similar companies;
- periodic changes to search engine algorithms that lead to actual or perceived decreases in traffic to our websites;
- announcements of technological innovations, new services or service enhancements and strategic alliances or agreements by us or by our competitors;
- marketing and advertising initiatives by us or our competitors;
- the gain or loss of paid merchant relationships;
- threatened or actual litigation;
- major changes in our management;
- recruitment or departure of key personnel;
- changes in the estimates of our operating results or changes in recommendations by any securities analysts that follow our Series 1 common stock;
- market conditions in our industry, the industries of our customers and the economy as a whole;
- the overall performance of the equity markets;
- sales of shares of our Series 1 common stock by existing stockholders, including our directors and executive officers and their affiliates;
- the concentration of ownership of outstanding shares of our Series 1 common stock;
- our share repurchase program;
- volatility in our stock price, which may lead to higher stock-based compensation expense under applicable accounting standards;
- reaction to our press releases or other public announcements and filings with the SEC;

- rumors and market speculation involving us or other companies in our industry;
- raising additional capital from any equity or debt financing in the future; and
- adoption or modification of regulations, policies, procedures or programs applicable to our business

In addition, the stock market in general and the market for e-commerce companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors may harm the market price of our Series 1 common stock regardless of our actual operating performance. Each of these factors, among others, could adversely affect your investment in our Series 1 common stock. Some companies that have had volatile market prices for their securities have had securities class action lawsuits filed against them. If a suit were filed against us, regardless of its merits or outcome, it could result in substantial costs and divert management's attention.

Our stock price could decline due to the large number of outstanding shares of our common stock eligible for future sale.

Sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could cause the market price of our common stock to decline. These sales could also make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

As of January 31, 2017 we had 47,855,499 shares of common stock outstanding. Shares beneficially owned by our affiliates and employees are subject to volume and other restrictions under Rules 144 and 701 under the Securities Act of 1933, as amended, or the Securities Act, various vesting agreements, our insider trading policy and any applicable 10b5-1 trading plan.

In addition, we have registered 18,873,761 shares of Series 1 common stock that we have issued and may issue under our equity plans, 4,190,198 shares of which were issued and outstanding as of December 31, 2016, and intend to register an additional 2,392,797 shares of Series 1 common stock that were added to our equity plans in January 2017 by virtue of those plans' evergreen provisions. These shares can be freely sold in the public market upon issuance, subject in some cases to volume and other restrictions under Rules 144 and 701 under the Securities Act, and various vesting agreements. In addition, some of our employees, including some of our named executive officers, have entered into 10b5-1 trading plans regarding sales of shares of our Series 1 common stock. If any of these additional shares are sold, or if it is perceived that they will be sold, in the public market, the trading price of our common stock could decline.

As of January 31, 2017, holders of approximately 15.3% of our common stock were entitled to rights with respect to the registration of these shares under the Securities Act. If we register their shares of common stock, these stockholders could sell those shares in the public market without being subject to the volume and other restrictions of Rule 144 and Rule 701.

Our responsibilities as a public company may cause us to incur significant costs, divert management's attention and affect our ability to attract and retain qualified board members and executives.

We are subject to the reporting requirements of the Securities Exchange Act of 1934, the Sarbanes-Oxley Act, including the requirements of Section 404, as well as rules and regulations subsequently implemented by the SEC, the Public Company Accounting Oversight Board and the NASDAQ Global Select Market. Compliance with these public company requirements has made some activities more time-consuming. It has also increased our legal and financial compliance costs and demand on our systems and resources. For example, we have created new board committees and adopted new internal controls and disclosure controls and procedures. In addition, we have incurred and will continue to incur incremental expenses associated with our SEC reporting requirements. Furthermore, if we identify any issues in complying with those requirements (for example, if we or our auditors identify a material weakness or significant deficiency in our internal control over financial reporting), we could incur additional costs rectifying those issues, and the existence of those issues could adversely affect us, our reputation or investor perceptions of us. Advocacy efforts by stockholders and third parties may also prompt additional changes in governance and reporting requirements, which could further increase our costs. It also may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers.

In addition, changing laws, regulations and standards relating to public disclosure and corporate governance are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to our disclosures and to our

governance practices. We have invested, and intend to continue to invest, resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention away from activities that generate revenue and help grow our business.

If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, our ability to operate our business and investors' views of us.

Ensuring that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis is a costly and time-consuming effort that needs to be re-evaluated frequently. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. We are subject to Section 404 of the Sarbanes-Oxley Act, which requires annual management assessment of the effectiveness of our internal control over financial reporting. If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, harm our ability to operate our business, and reduce the trading price of our stock.

We cannot guarantee that we will repurchase additional shares of our common stock pursuant to our ongoing share repurchase program or that our share repurchase program will enhance long-term stockholder value. Share repurchases could also increase the volatility of the price of our common stock and could diminish our cash reserves.

In February 2015, our board of directors authorized a share repurchase program. Under the program, we were initially authorized to repurchase shares of Series 1 common stock for an aggregate purchase price not to exceed $100 million. In February 2016, our board of directors authorized an additional $50 million under the repurchase program, bringing the total amount of the program up to $150 million. The repurchase program is authorized through February 2018. During 2016, we repurchased 4,128,011 shares of Series 1 common stock at an aggregate purchase price of $36.8 million. Up to $60.4 million of the $150 million authorization remains available as of December 31, 2016.

Although the Board has authorized the share repurchase program, the share repurchase program does not obligate us to repurchase any specific dollar amount or to acquire any specific number of shares. The timing and amount of repurchases, if any, will depend upon several factors, including market and business conditions, the trading price of our Series 1 common stock and the nature of other investment opportunities. The repurchase program may be limited, suspended or discontinued at any time without prior notice. In addition, repurchases of our Series 1 common stock pursuant to our share repurchase program could affect the market price of our Series 1 common stock or increase its volatility. For example, the existence of a share repurchase program could cause our stock price to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our stock. Additionally, our share repurchase program has increased our level of long-term debt and reduced our cash reserves, and those reserves may be reduced further in the future, which may impact our ability to finance future growth and to pursue possible future strategic opportunities and acquisitions. There can be no assurance that any share repurchases will enhance stockholder value because the market price of our Series 1 common stock has declined, and may in the future decline, below the levels at which we repurchase shares of stock. Although our share repurchase program is intended to enhance long-term stockholder value, there is no assurance that it will do so and short-term stock price fluctuations could reduce the program's effectiveness.

If securities or industry analysts do not continue to publish research or publish unfavorable or misleading research about our business, our stock price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. In 2016, several securities analysts ceased coverage of our company and several analysts downgraded their ratings on or lowered their price targets for our Series 1 common stock. If other analysts who cover us downgrade our stock, reduce their price targets or publish other unfavorable or misleading research about our business, our stock price would likely decline. If additional analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the market for our stock and demand for our stock could decrease, which could cause our stock price or trading volume to decline.

Anti-takeover provisions in our charter documents and Delaware law could discourage, delay or prevent a change in control of our company and may affect the trading price of our Series 1 common stock.

We are a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law, which apply to us, may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the stockholder becomes an interested stockholder, even if a change in control would be beneficial to our existing stockholders. In addition, our certificate of incorporation and bylaws may discourage, delay or prevent a change in our management or control over us that stockholders may consider favorable. Our certificate of incorporation and bylaws:

- authorize the issuance of "blank check" preferred stock that could be issued by our board of directors to defend against a takeover attempt;
- establish a classified board of directors, as a result of which the successors to the directors whose terms have expired will be elected to serve from the time of election and qualification until the third annual meeting following their election;
- require that directors only be removed from office for cause and only upon a supermajority stockholder vote;
- provide that vacancies on the board of directors, including newly created directorships, may be filled only by a majority vote of directors then in office rather than by stockholders;
- prevent stockholders from calling special meetings; and
- prohibit stockholder action by written consent, requiring all actions to be taken at a meeting of the stockholders.

We currently do not intend to pay dividends on our common stock and, consequently, your only opportunity to achieve a return on your investment is if the price of our Series 1 common stock appreciates.

We currently do not plan to declare dividends on shares of our common stock in the foreseeable future. Any payment of future dividends will be at the discretion of our board of directors, subject to compliance with certain covenants contained in our credit facility, which limit our ability to pay dividends, and will depend on our financial condition, results of operations, capital requirements, general business conditions, and other factors that our board of directors may deem relevant. Consequently, your only opportunity to achieve a return on your investment in our company will be if the market price of our Series 1 common stock appreciates and you sell your shares at a profit.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our principal executive offices are located in Austin, Texas, where we lease approximately 100,055 square feet of office space under a lease that expires in January 2025. As of December 31, 2016, we also lease office space in Hoboken, New Jersey; Phoenix, Arizona; London, England; Paris, France; Vannes, France; and Amsterdam, the Netherlands. Our primary data centers are located in California, Oregon, Virginia, the U.K., Ireland and France. We believe our current and planned office facilities and data center space will be adequate for our needs for the foreseeable future.

For additional information regarding obligations under operating leases, see Note 8 "Commitments and Contingencies" of the Notes to Consolidated Financial Statements included in Part II, Item 8: "Financial Statements" of this Annual Report on Form 10-K.

Item 3. Legal Proceedings.

From time to time, we may become involved in litigation related to claims arising from the ordinary course of our business. We believe that there are no claims or actions pending or threatened against us, the ultimate disposition of which would have a material adverse effect on us.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our Series 1 common stock has been listed on the NASDAQ Global Select Market under the symbol "SALE" since July 19, 2013. Prior to that date, there was no public trading market for our Series 1 common stock. Our Series 1 common stock priced at $21.00 per share in our initial public offering on July 18, 2013. The following table sets forth for the periods indicated the high and low intra-day sale prices per share of our Series 1 common stock as reported on the NASDAQ Global Select Market:

	Low	High
Year Ended December 31, 2016		
Fourth Quarter	$ 8.05	$ 10.20
Third Quarter	$ 7.30	$ 12.93
Second Quarter	$ 6.69	$ 8.83
First Quarter	$ 5.52	$ 10.24

	Low	High
Year Ended December 31, 2015		
Fourth Quarter	$ 7.98	$ 11.46
Third Quarter	$ 7.66	$ 18.03
Second Quarter	$ 17.17	$ 21.68
First Quarter	$ 13.55	$ 18.84

On January 31, 2017, the last reported sale price of our Series 1 common stock on the NASDAQ Global Select Market was $9.05 per share, and there were 16 holders of record of our Series 1 common stock. The actual number of holders of Series 1 common stock is greater than these numbers of record holders and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and nominees. The number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

Dividend Policy

We have never declared or paid any cash dividends on our common stock. Neither Delaware law nor our amended and restated certificate of incorporation requires our board of directors to declare dividends on our common stock. Any future determination to declare cash dividends on our common stock will be made at the discretion of our board of directors and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors may deem relevant. We do not anticipate paying cash dividends on our common stock for the foreseeable future.

Equity Compensation Plan Information

Information regarding the securities authorized for issuance under our equity compensation plans will be included in our Proxy Statement relating to our 2017 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2016, and is incorporated herein by reference.

Issuer Purchases of Equity Securities (1)

Our Series 1 common stock repurchase activity during the three months ended December 31, 2016 was as follows:

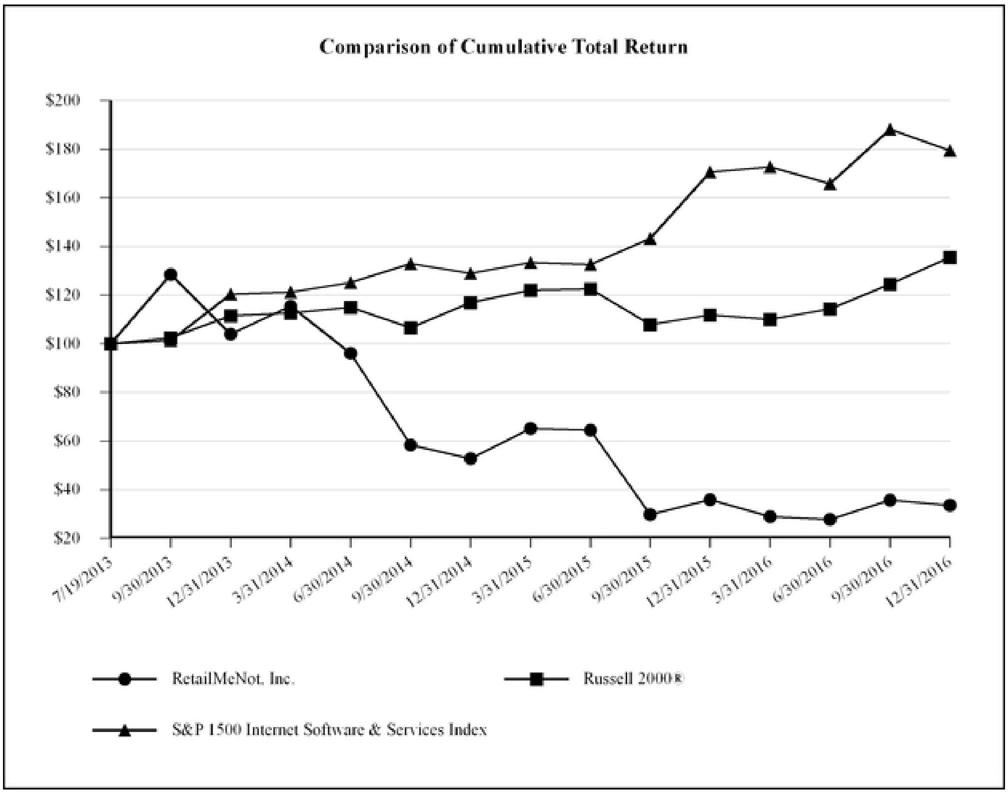
Period	Total Number of Shares Purchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs		Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
	(in thousands, except average price per share)					
October 1 – 31, 2016	125	$	9.07	125	$	67,057
November 1 – 30, 2016	474		9.13	474		62,724
December 1 – 31, 2016	253		9.13	253		60,418
Total	852	$	9.12	852	$	60,418

(1) On February 5, 2015, our board of directors authorized a program to repurchase up to $100 million worth of our Series 1 common stock. The repurchase program was publicly announced on February 10, 2015. In February 2016, our board of directors authorized the repurchase of an additional $50 million worth of shares of our Series 1 common stock, increasing the total authorized amount under our share repurchase program implemented in February 2015 to $150 million. The share repurchase program is authorized through February 2018. As of December 31, 2016, $89.6 million of the $150 million has been utilized. Our share repurchase program does not obligate us to acquire any specific number of shares. Under the program, shares may be repurchased in privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Exchange Act.

Performance Graph

Notwithstanding any statement to the contrary in any of our filings with the SEC, the following information shall not be deemed "filed" with the SEC or "soliciting material" under the Securities Exchange Act of 1934 and shall not be incorporated by reference into any such filings irrespective of any general incorporation language contained in such filing.

The following graph compares the total cumulative stockholder return on our common stock with the total cumulative return of the Russell 2000® Index and the S&P 1500 Internet Software & Services Index during the period commencing on July 19, 2013, the initial trading day of our Series 1 common stock, and ending on December 31, 2016. The graph assumes a $100 investment at the beginning of the period in our Series 1 common stock, the stocks represented in the Russell 2000® Index and the stocks represented in the S&P 1500 Internet Software & Services Index, and reinvestment of any dividends. Historical stock price performance should not be relied upon as an indication of future stock price performance.



Item 6. Selected Financial Data.

The tables on the following pages set forth the consolidated financial and operating data as of and for the periods indicated. The consolidated statements of operations data presented below for the years ended December 31, 2016, 2015 and 2014 and the consolidated balance sheet data as of December 31, 2016 and 2015 have been derived from the audited consolidated financial statements that are included in Part II, Item 8: "Financial Statements." The consolidated statements of operations data presented below for the years ended December 31, 2013 and 2012 and the consolidated balance sheet data as of December 31, 2014, 2013 and 2012 are derived from audited consolidated financial statements that are not included in this report.

We acquired the businesses of Bons-de-Reduction.com and Poulpeo.com in May 2012, Actiepagina.nl in March 2013, Ma-Reduc.com in July 2013, YSL Ventures in October 2013 and GiftcardZen Inc in April 2016. The consolidated statements of operations, balance sheets and statements of cash flows include the results of businesses acquired from the effective date of the acquisition for accounting purposes.

The following information should be read in conjunction with our consolidated financial statements and related notes, the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the other information included elsewhere in this filing. Our historical results are not necessarily indicative of our future results.

	Year Ended December 31, 2016	2015	2014	2013	2012
	(in thousands, except per share amounts)				
Consolidated Statements of Operations Data:					
Net revenues	$ 280,421	$ 249,115	$ 264,683	$ 209,836	$ 144,685
Cost of net revenues	61,511	19,904	18,617	13,049	9,113
Gross profit	218,910	229,211	246,066	196,787	135,572
Operating expenses:					
Product development	52,283	51,580	47,882	30,566	14,481
Sales and marketing	98,209	99,380	90,062	70,303	40,672
General and administrative	42,731	39,813	42,343	28,583	15,758
Amortization of purchased intangible assets	9,466	10,664	12,243	12,081	13,158
Other operating expenses	7,547	4,616	4,065	2,525	6,006
Total operating expenses	210,236	206,053	196,595	144,058	90,075
Income from operations	8,674	23,158	49,471	52,729	45,497
Other income (expense):					
Interest expense, net	(2,275)	(1,988)	(1,981)	(2,980)	(3,221)
Other income (expense), net	288	(315)	(1,102)	672	77
Income before income taxes	6,687	20,855	46,388	50,421	42,353
Provision for income taxes	(4,719)	(9,007)	(19,423)	(18,891)	(16,360)
Net income	$ 1,968	$ 11,848	$ 26,965	$ 31,530	$ 25,993
Preferred stock dividends on participating preferred stock	—	—	—	(19,928)	(24,577)
Total undistributed earnings	1,968	11,848	26,965	11,602	1,416
Undistributed earnings allocated to participating preferred stock	—	—	—	(5,998)	(1,390)
Net income attributable to common stockholders	$ 1,968	$ 11,848	$ 26,965	$ 5,604	$ 26
Net income per share attributable to common stockholders:					
Basic	$ 0.04	$ 0.22	$ 0.50	$ 0.24	$ 0.03
Diluted	$ 0.04	$ 0.22	$ 0.49	$ 0.23	$ 0.03
Weighted-average number of common shares used in computing net income per share:					
Basic	48,724	53,076	53,792	23,074	841
Diluted	49,824	54,099	55,311	54,742	2,277

	Year Ended December 31, 2016	2015	2014	2013	2012
	(in thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 216,858	$ 259,769	$ 244,482	$ 165,881	$ 97,142
Working capital	258,152	296,119	282,988	192,000	97,822
Total assets	582,007	602,624	596,793	508,092	369,787
Total liabilities	106,398	111,235	92,038	76,783	62,133
Redeemable convertible preferred stock	—	—	—	—	349,027
Total stockholders' equity (deficit)	475,609	491,389	504,755	431,309	(41,373)

	Year Ended December 31, 2016	2015	2014	2013	2012
	(in thousands, except net revenues per visit)				
Operating Metrics[1]:					
Visits:					
Desktop visits	351,769	420,485	499,549	459,805	414,830
Mobile visits	298,336	297,871	197,582	100,627	49,410
Total visits	650,105	718,356	697,131	560,432	464,240
Online transaction net revenues per visit:					
Desktop online transaction net revenues per visit	$ 0.41	$ 0.41	$ 0.44	$ 0.42	$ 0.33
Mobile online transaction net revenues per visit	$ 0.09	$ 0.08	$ 0.08	$ 0.06	$ 0.04
Total online transaction net revenues per visit	$ 0.26	$ 0.28	$ 0.34	$ 0.35	$ 0.30
Mobile unique visitors[2]	23,149	23,194	21,224	11,913	—
Other Financial Data[1]:					
Online transaction net revenues:					
Desktop online transaction net revenues	$ 144,324	$ 173,922	$ 219,593	$ 190,861	$ 137,428
Mobile online transaction net revenues	27,044	24,406	15,686	6,010	1,746
Total online transaction net revenues	171,368	198,328	235,279	196,871	139,174
Advertising and in-store net revenues	65,506	50,787	29,404	12,965	5,511
Gift card net revenues	43,547	—	—	—	—
Net revenues	280,421	249,115	264,683	209,836	144,685
Adjusted EBITDA	61,275	71,890	93,900	81,320	70,373
Gift Card segment gross profit	2,625	—	—	—	—
Core segment operating income	63,104	71,890	93,900	81,320	70,373

(1) See Part II, Item 7: "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Financial and Operating Metrics" for a description of these operating metrics and other financial data.
(2) We present mobile unique visitors as the average monthly mobile unique visitors for the last three months of the period. The amount for 2012 was not meaningful.

Net income is the most directly comparable financial measure, as calculated and presented in accordance with GAAP, in comparison to adjusted EBITDA. The following table presents a reconciliation of adjusted EBITDA to net income for each of the periods indicated:

	Year Ended December 31, 2016	2015	2014	2013	2012
	(in thousands)				
Reconciliation of Adjusted EBITDA:					
Net income	$ 1,968	$ 11,848	$ 26,965	$ 31,530	$ 25,993
Depreciation and amortization expense	18,146	17,131	15,746	14,112	14,192
Stock-based compensation expense	26,181	26,894	24,518	10,507	4,048
Third party acquisition-related costs	727	91	100	1,447	630
Other operating expenses	7,547	4,616	4,065	2,525	6,006
Interest expense, net	2,275	1,988	1,981	2,980	3,221
Other (income) expense, net	(288)	315	1,102	(672)	(77)
Provision for income taxes	4,719	9,007	19,423	18,891	16,360
Adjusted EBITDA	$ 61,275	$ 71,890	$ 93,900	$ 81,320	$ 70,373

The following tables present depreciation and stock-based compensation expense as included in the various lines of our consolidated statements of operations:

	Year Ended December 31,				
	2016	2015	2014	2013	2012
	(in thousands)				
Depreciation Expense:					
Cost of net revenues	$ 317	$ 523	$ 456	$ 299	$ 99
Product development	4,849	3,504	1,491	818	380
Sales and marketing	714	1,354	1,025	603	382
General and administrative	2,800	1,086	531	311	173
Total depreciation expense	$ 8,680	$ 6,467	$ 3,503	$ 2,031	$ 1,034

	Year Ended December 31,				
	2016	2015	2014	2013	2012
	(in thousands)				
Stock-Based Compensation Expense:					
Cost of net revenues	$ 1,846	$ 2,211	$ 1,848	$ 704	$ 157
Product development	8,367	8,667	7,289	2,419	1,144
Sales and marketing	5,360	6,254	5,547	2,398	993
General and administrative	10,608	9,762	9,834	4,986	1,754
Total stock-based compensation expense	$ 26,181	$ 26,894	$ 24,518	$ 10,507	$ 4,048

Non-GAAP Financial Measures

Adjusted EBITDA

To provide investors with additional information regarding our financial results, we have disclosed in the table above and elsewhere in this filing adjusted EBITDA, a non-GAAP financial measure. We have provided a reconciliation above of adjusted EBITDA to net income, the most directly comparable GAAP financial measure.

We have included adjusted EBITDA in this filing because it is a key measure used by our management and board of directors to understand and evaluate our operating performance for the following reasons:

- our management uses adjusted EBITDA in conjunction with GAAP financial measures as part of our assessment of our business and in communications with our board of directors concerning our financial performance;
- our management and board of directors use adjusted EBITDA in establishing budgets, operational goals and as an element in determining compensation;
- adjusted EBITDA provides consistency and comparability with our past financial performance, facilitates period-to-period comparisons of operations that could otherwise be masked by the effect of the expenses that we exclude in this non-GAAP financial measure and facilitates comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results;
- securities analysts use a measure similar to our adjusted EBITDA as a supplemental measure to evaluate the overall operating performance and comparison of companies, and we include adjusted EBITDA in our investor and analyst presentations; and
- adjusted EBITDA excludes non-cash charges, such as depreciation, amortization and stock-based compensation, because such non-cash expenses in any specific period may not directly correlate to the underlying performance of our business operations and can vary significantly between periods.

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- adjusted EBITDA excludes stock-based compensation expense which has been, and will continue to be for the foreseeable future, a significant recurring expense in our business and is an important part of our employees' compensation;
- adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us; and
- other companies, including companies in our industry, may calculate adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, net income and our other GAAP results.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in the section titled "Risk Factors."

Overview

We operate a leading savings destination, connecting consumers with retailers, restaurants and brands, both online and in-store. In the year ended December 31, 2016, our marketplace featured digital offers from over 70,000 merchants, and we had contracts with more than 12,000 paid merchants. A merchant is a retailer, restaurant, or brand that sells goods or services directly to consumers. A paid merchant is a merchant that has contracted to pay us a commission for sales which we influence using digital offers made available in our marketplace and/or a merchant that has contracted to pay us to promote their digital offers or provide advertising in our marketplace. According to our internal data compiled using Google Analytics, we had approximately 650 million total visits to our desktop and mobile websites. During the three months ended December 31, 2016, we averaged approximately 23.1 million mobile unique visitors per month.

Core Segment

We derive the substantial majority of our Core segment net revenues, which constitute the majority of our consolidated net revenues, from merchants that pay us directly or through third-party performance marketing networks. In some instances, the paid merchant itself provides affiliate tracking links for attribution of online sales using digital offers made available in our marketplace and pays us directly. However, in most cases, paid merchants contract with performance marketing networks to provide affiliate tracking links for attribution of online sales using digital offers made available in our marketplace. These paid merchants then pay the commissions we earn to the performance marketing network, which in turn pays those commissions to us. In general, our contracts with performance marketing networks govern our use of affiliate tracking links made available to us by the performance marketing network and the remittance of any commissions payable to us from paid merchants utilizing the performance marketing network. The performance marketing network with which a paid merchant contracts to provide affiliate tracking links provides us with the paid merchant's contract terms, which must be accepted by us and the paid merchant, and which further govern our use of affiliate tracking links for such paid merchant and payment of commissions to us. Our contracts are generally short term, meaning that they can be canceled by any of the contracting parties on 30 days' notice or less.

In 2016, the majority of our total net revenues were derived from commissions earned when consumers made purchases using digital offers featured on our websites and mobile applications. We expect that a majority of our net revenues in the future will continue to be derived from these commissions. Commission rates are determined through negotiations with paid merchants based on a variety of factors, including the level of exposure to consumers in our marketplace, the quality and volume of sales realized from consumers using digital offers from our marketplace and the category of products purchased using digital offers. We sell our solutions to merchants through a direct sales force.

Gift Card Segment

We also generate net revenues from our Gift Card segment, the substantial majority of which are derived from the sale of previously owned gift cards and the remainder of which are derived from the sale of gift cards obtained from merchants. We generally purchase gift cards at a discount to face value and resell them to consumers and businesses through our online marketplace at a markup to our cost, while still at a discount to face value.

On April 5, 2016, we acquired GiftcardZen Inc, a private company and the operator of giftcardzen.com, a secondary marketplace for gift cards, for approximately $21.2 million of cash consideration. In connection with the acquisition, we incurred approximately $0.7 million in direct acquisition costs.

In conjunction with the acquisition of GiftcardZen Inc, we entered into deferred compensation arrangements with a key employee of GiftcardZen Inc as well as certain other employees. These arrangements have a total value of up to $12.0 million, to be paid at dates between 10 and 24 months following the acquisition, contingent upon the achievement of specific

performance targets and those employees' continued employment with RetailMeNot. As of December 31, 2016, we expect that the total value of the arrangements will be approximately $9.0 million.

Consolidated Results

During 2016 we generated net revenues of $280.4 million, an increase of $31.3 million, or 12.6% from $249.1 million in 2015. This increase is primarily attributable to a $43.5 million increase in net revenues from our Gift Card segment, offset by a $12.2 million decrease in net revenues from our Core segment.

Net income for 2016 was $2.0 million, a $9.9 million, or 83.4% decrease from $11.8 million in 2015. The decrease in net income is primarily attributable to the $12.2 million decrease in net revenues from our Core segment and the investments being made to grow our in-store and advertising business and scale our gift card business.

Adjusted EBITDA for 2016 was $61.3 million, a $10.6 million, or 14.8% decrease from $71.9 million in 2015. See Part II, Item 6: "Selected Financial Data," for further discussion of adjusted EBITDA, our use of this measure, the limitations of this measure as an analytical tool, and the reconciliation of adjusted EBITDA to net income, the most directly comparable GAAP financial measure.

Strategic Initiatives and Investments

We believe that featuring digital offers, including discounted gift cards, is necessary to attract visitors to our marketplace, which includes our websites, mobile applications, email, mobile alerts and social media distribution channels. In addition to increasing the number of visitors to our marketplace, we are focused on increasing the rate and frequency at which these visitors make purchases from paid merchants whose digital offers are featured in our marketplace. To meet these challenges, we are investing in product enhancements to make it easier for consumers visiting our marketplace to find the right digital offers and in expanding the types of digital offers available to consumers on our marketplace. These enhancements include increased leveraging of data to better personalize digital offers for consumers and to be a more effective channel for paid merchants to leverage our audience of users; continuing to invest in our in-store and advertising offerings; and further developing the location-based services features on our mobile applications to provide more geographically relevant digital offers. We believe these enhancements will increase consumers' interactions with paid merchants in our marketplace, which will in turn increase the value we are able to provide to paid merchants. We are also focused on a combination of marketing strategies, including pay-per-click advertising, search engine optimization, branding campaigns and email and mobile alerts, with a goal of driving visits to our marketplace.

We believe our mobile websites and applications currently monetize at a comparatively lower rate than our desktop websites, primarily due to the following: (1) mobile visits tend to be more exploratory in nature, due to lower purchase intent than desktop visits, difficulties in navigating from our mobile websites and applications to merchant websites and friction in the purchase process on merchants' mobile websites, (2) we do not receive sales commissions or attribution when consumers that visit our websites and mobile applications using a mobile device subsequently make a purchase by directly accessing a merchant's website on another device, such as a desktop or tablet or in-store (a circumstance known as cross device switching) and (3) some paid merchants currently do not recognize affiliate tracking links on their mobile websites or applications, and the tracking mechanisms related to such may not function to allow proper attribution of sales to us. We intend to continue to improve monetization of our mobile websites and mobile applications through a variety of methods, including improved attribution to us of the sales that we help drive for our merchant partners, the use of pricing structures other than our traditional commission-based model (particularly with respect to advertising) and expanding food and dining content, which we believe consumers use on a more frequent basis.

Desktop online transaction net revenues decreased by 20.8% from 2014 to 2015 and 17.0% from 2015 to 2016, driven primarily by a decline in visits. However, we expect the trend of declining desktop online transaction net revenues to decelerate in future years as we improve the user experience and website performance. Advertising and in-store net revenues increased by 72.7% from 2014 to 2015 and 29.0% from 2015 to 2016, driven primarily by an increase in the average net revenues per merchant. We expect the trend of declining growth in advertising and in-store net revenues to continue given the general financial and operational difficulties prevalent amongst large retailers.

Our acquisition of GiftcardZen Inc significantly expands the gift card content available to users of our RetailMeNot.com website and mobile application, which we believe will drive more consumers to utilize and increase our ability to monetize these solutions. We expect Gift Card segment net revenues to grow substantially over the next several years, which will contribute to a decline in our consolidated gross profit margin.

Finally, we have developed and implemented certain universal software platforms to support certain of our international websites. We believe this investment will continue to allow us to more easily and rapidly expand organically in new geographic markets and integrate the systems of any additional digital offering businesses which we may acquire.

Key Financial and Operating Metrics

We measure our business using both financial and operating metrics. We use these metrics to assess the progress of our business, make decisions on where to allocate capital, time and technology investments, and assess the longer-term performance of our business. The key financial and operating metrics we use are as follows:

	Year Ended December 31,		
	2016	2015	2014
	(in thousands, except net revenues per visit)		
Financial Metrics			
Online transaction net revenues:			
Desktop online transaction net revenues	$ 144,324	$ 173,922	$ 219,593
Mobile online transaction net revenues	27,044	24,406	15,686
Total online transaction net revenues	171,368	198,328	235,279
Advertising and in-store net revenues	65,506	50,787	29,404
Gift card net revenues	43,547	—	—
Net revenues	280,421	249,115	264,683
Adjusted EBITDA	61,275	71,890	93,900
Gift Card segment gross profit	2,625	—	—
Core segment operating income	63,104	71,890	93,900
Operating Metrics			
Visits:			
Desktop visits	351,769	420,485	499,549
Mobile visits	298,336	297,871	197,582
Total visits	650,105	718,356	697,131
Online transaction net revenues per visit:			
Desktop online transaction net revenues per visit	$ 0.41	$ 0.41	$ 0.44
Mobile online transaction net revenues per visit	$ 0.09	$ 0.08	$ 0.08
Total online transaction net revenues per visit	$ 0.26	$ 0.28	$ 0.34
Mobile unique visitors	23,149	23,194	21,224

Net income is the most directly comparable financial measure, as calculated and presented in accordance with GAAP, in comparison to Adjusted EBITDA. The following table presents net income for each of the periods indicated:

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Net income	$ 1,968	$ 11,848	$ 26,965

Financial Metrics

Desktop Online Transaction Net Revenues. We define desktop online transaction net revenues as amounts paid to us by paid merchants, either directly or through performance marketing networks, in the form of commissions for completed online transactions on desktop and laptop computers and tablet devices. In general, we earn a commission from a paid merchant when a consumer clicks on a digital offer for that paid merchant on one of our websites or tablet applications and then makes an online purchase from that paid merchant.

Mobile Online Transaction Net Revenues. We define mobile online transaction net revenues as amounts paid to us by paid merchants, either directly or through performance marketing networks, in the form of commissions for completed online transactions on smartphones and other mobile devices. In general, we earn a commission from a paid merchant when a consumer clicks on a digital offer for that paid merchant on one of our websites or mobile applications and then makes an online purchase from that paid merchant.

Online Transaction Net Revenues. We define online transaction net revenues as the total of our desktop online transaction net revenues and our mobile online transaction net revenues.

Advertising and In-store Net Revenues. We define advertising net revenues collectively as amounts paid to us by paid merchants for displaying digital offers that may be redeemed on one of our websites, as well as amounts paid to us by paid merchants for providing advertising of the paid merchant's brand or products in our marketplace. We define in-store net revenues collectively as commission amounts earned from paid merchants when a consumer presents a digital offer to the merchant and the digital offer is scanned or a unique digital offer code is entered by the merchant at the point of sale, as well as other amounts paid to us by paid merchants for displaying digital offers on our websites and mobile applications that may be redeemed in-store.

Gift Card Net Revenues. We define gift card net revenues as amounts paid to us by consumers and businesses related to the sale of gift cards through our gift card marketplace through our websites and mobile applications, net of returns.

Net Revenues. We define net revenues as the total of our online transaction net revenues, our advertising and in-store net revenues and our gift card net revenues. We believe net revenues are an important indicator for our business because they are a reflection of the value we offer to consumers and paid merchants through our marketplace.

Adjusted EBITDA. We define this metric as net income plus depreciation, amortization of intangible assets, stock-based compensation expense, third party acquisition-related costs, other operating expenses (including asset impairment charges and compensation arrangements entered into in connection with acquisitions), net interest expense, other non-operating income and expenses and income taxes net of any foreign exchange income or expenses. We believe that the use of adjusted EBITDA is helpful in evaluating our operating performance because it excludes certain non-cash expenses, including depreciation, amortization of intangible assets and stock-based compensation expense. See Part II, Item 6: "Selected Financial Data" for additional discussion of adjusted EBITDA and the reconciliation of adjusted EBITDA to net income, the most directly comparable financial measure calculated and presented in accordance with GAAP.

Gift Card Segment Gross Profit. We define Gift Card segment gross profit as gift card net revenues, net of returns, less our cost of net revenues for the Gift Card segment, which consists primarily of the costs to acquire gift cards, including shipping costs.

Core Segment Operating Income. We define Core segment operating income as net revenues derived from our Core segment (which consists of online transaction net revenues and advertising and in-store net revenues), less the amount of cost of net revenues, product development expense, sales and marketing expense and general and administrative expense allocated to our Core segment. Segment operating income includes internally allocated costs of our information technology function. We do not allocate stock- based compensation expense, depreciation and amortization expense, third-party acquisition-related costs or other operating expenses to our segments.

Operating Metrics

Desktop Visits. We define a desktop visit as an interaction or group of interactions that takes place on one of our websites from desktop and laptop computers and tablet devices within a given time frame as measured by Google Analytics, a product that provides digital marketing intelligence. A single visit can contain multiple page views, events, social interactions, custom variables, and e-commerce transactions. A single visitor can open multiple visits. Visits can occur on the same day, or over several days, weeks, or months. As soon as one visit ends, there is then an opportunity to start a new visit. A visit ends either through the passage of time or a campaign change, with a campaign generally meaning arrival via search engine, referring site, or campaign-tagged information. A visit ends through passage of time either after 30 minutes of inactivity or at midnight Pacific Time. A visit ends through a campaign change if a visitor arrives via one campaign or source, leaves the site, and then returns via another campaign or source. Desktop visits do not include interactions on our tablet applications.

Mobile Visits. We define a mobile visit as an interaction or group of interactions that takes place on one of our mobile websites from smartphones and other mobile devices within a given time frame as measured by Google Analytics, a product that provides digital marketing intelligence. A single visit can contain multiple page views, events, social interactions, custom

variables, and e-commerce transactions. A single visitor can open multiple visits. Visits can occur on the same day, or over several days, weeks, or months. As soon as one visit ends, there is then an opportunity to start a new visit. A visit ends either through the passage of time or a campaign change, with a campaign generally meaning arrival via search engine, referring site, or campaign-tagged information. A visit ends through passage of time either after 30 minutes of inactivity or at midnight Pacific Time. A visit ends through a campaign change if a visitor arrives via one campaign or source, leaves the site, and then returns via another campaign or source. Mobile visits do not include interactions on our mobile applications.

Visits. We define visits as the total of our desktop visits and mobile visits. We view visits to our websites as a key indicator of our brand awareness among consumers and whether we are providing consumers with useful products and features, thereby increasing their usage of our marketplace. We believe that a higher level of usage may contribute to an increase in our net revenues and exclusive digital offers as paid merchants will have exposure to a larger potential customer base.

Desktop Online Transaction Net Revenues per Visit. We define desktop online transaction net revenues per visit as desktop online transaction net revenues for the period divided by desktop visits for the period.

Mobile Online Transaction Net Revenues per Visit. We define mobile online transaction net revenues per visit as mobile online transaction net revenues for the period divided by mobile visits for the period.

Online Transaction Net Revenues per Visit. We define online transaction net revenues per visit as online transaction net revenues for the period divided by visits for the period.

Mobile Unique Visitors. This amount represents the average number of monthly mobile unique visitors for the last three months of the period. We define each of the following as a mobile unique visitor: (i) the first time a specific mobile device accesses one of our mobile applications during a calendar month, and (ii) the first time a specific mobile device accesses one of our mobile websites using a specific web browser during a calendar month. If a mobile device accesses more than one of our mobile websites or mobile applications in a single calendar month, the first access to each such mobile website or mobile application is counted as a mobile unique visitor, as they are tracked separately for each mobile domain. We measure mobile unique visitors with a combination of internal data sources and Google Analytics data.

We view mobile unique visitors as a key indicator of the size of our mobile audience as well as our brand awareness among consumers and usage of our mobile solutions which we expect to be important as users increasingly rely on their mobile devices.

Key Components of Our Results of Operations

Net Revenues

The substantial majority of our net revenues from our Core segment, which constitute the majority of our consolidated net revenues, consists of commissions we receive from paid merchants, either directly or through performance marketing networks. In general, we earn commissions from a paid merchant when a consumer makes a purchase online from that paid merchant after clicking on a digital offer for that paid merchant on one of our websites or mobile applications. We also earn revenues from our in-store product, which include commissions earned from a paid merchant when a consumer presents a digital offer to the paid merchant in-store and the digital offer is scanned or a unique digital offer code is entered by the paid merchant at the point of sale, and amounts paid to us by paid merchants for displaying digital offers that may be redeemed in-store on our websites or mobile applications.

We provide performance marketing solutions under contracts with paid merchants, which generally provide for commission payments to be facilitated by performance marketing networks. Commission rates are typically negotiated with individual paid merchants. Our commission rates vary based on a variety of factors, including the paid merchant, the level of exposure to consumers in our marketplace, the quality and volume of sales realized from consumers using digital offers in our marketplace and the category of products purchased using digital offers. We recognize commission revenues when we receive confirmation that a consumer has completed a purchase transaction with a paid merchant, as reported to us through a performance marketing network, or in some cases, by the paid merchant directly. When a digital offer applies only to specific items, the discount to the consumer will be applied only to those specific items, but our commission is generally based on the aggregate purchase price of all items purchased at that time by the consumer.

Commission revenues are reported net of a reserve for estimated returns. We estimate returns based on our actual historical returns experience; these returns have not been significant. We expect that the majority of our net revenues in the future will continue to be derived from commissions.

We also earn advertising revenues from advertising in our marketplace. Rates for advertising are typically negotiated with individual paid merchants. Payments for advertising may be made directly by these paid merchants or through performance marketing networks.

Net revenues from our Gift Card segment are generated through the sale of discounted gift cards to consumers and businesses online, net of returns.

Costs and Expenses

We classify our costs and expenses into six categories: cost of net revenues, product development, sales and marketing, general and administrative, amortization of purchased intangible assets and other operating expenses. We allocate our personnel, facilities and general information technology, or IT, costs, which include IT and facilities-related personnel costs, rent, depreciation and other general costs, to all of the above categories of operating expenses, other than amortization of purchased intangibles and other operating expenses.

We expect personnel costs will be higher in 2017 when compared to 2016 as a result of our plan to increase personnel in 2017 as we continue to invest in our business. Personnel costs for employees include salaries and amounts earned under variable compensation plans, payroll taxes, benefits, stock-based compensation expense, costs associated with recruiting new employees, travel costs and other employee-related costs.

Cost of Net Revenues

Our cost of net revenues consists of direct and indirect costs incurred to generate net revenues. For our Gift Card segment, these costs consist primarily of the costs to acquire gift cards. For our Core segment, these costs consist primarily of the personnel costs of our site operations and website technical support employees; fees paid to third-party contractors engaged in the operation and maintenance of our websites and mobile applications; depreciation; and website hosting and Internet service costs. We expect our cost of net revenues to increase significantly in 2017 substantially due to the costs to acquire gift cards following our purchase of GiftcardZen Inc.

Product Development

Our product development expense consists primarily of personnel costs of our product management and software engineering teams, as well as fees paid to third-party contractors and consultants engaged in the design, development, testing and improvement of the functionality and user experience of our websites and mobile applications. We intend to continue to invest to develop new features and products for our websites and mobile applications. We expect these additional investments to cause our product development expense to increase in 2017.

Sales and Marketing

Our sales and marketing expense consists primarily of personnel costs of our sales, marketing, SEO and business analytics employees, as well as online and other advertising expenditures, branding programs and other marketing expenses. Our advertising, branding programs and other marketing costs include paid search advertising fees, online display advertising, including social networking sites, television advertising, creative development fees, public relations, email campaigns, trade show costs, sweepstakes and promotions and other general marketing costs. We intend to focus our sales and marketing efforts in 2017 on driving consumer traffic to our websites, encouraging downloads of our mobile applications, strengthening our relationships with paid merchants and increasing overall awareness of our brand. We expect our sales and marketing expenses to decrease in 2017.

General and Administrative

Our general and administrative expense consists primarily of the personnel costs of our general corporate functions, including executive, finance, accounting, legal and human resources. Other costs included in general and administrative include professional fees for legal, audit and other consulting services, travel and entertainment, charitable contributions, provision for doubtful accounts receivable and other general corporate overhead expenses. We expect our general and administrative expenses to remain relatively flat in 2017.

Amortization of Purchased Intangibles

We have recorded identifiable intangible assets in conjunction with our various acquisitions, and are amortizing those assets over their estimated useful lives. We perform impairment testing of goodwill annually on October 1 of each year and, in

the case of intangibles with definite lives, whenever events or circumstances indicate that impairment may have occurred. We expect our amortization expenses to decrease in 2017. However, changes in our amortization expenses will depend upon the level of our future acquisition activity.

Other Operating Expenses

Other operating expenses for 2016 consist primarily of amortization expense related to deferred compensation arrangements with employees of GiftcardZen Inc. We acquired GiftcardZen Inc on April 5, 2016 and entered into arrangements with a total value of up to $12.0 million, to be paid to a key employee and certain other employees at dates between 10 and 24 months following the acquisition, contingent upon the achievement of specific performance targets and those employees' continued employment with RetailMeNot. As of December 31, 2016, we expect that the total value of the arrangements will be approximately $9.0 million.

During 2016, we noted circumstances that indicated the carrying amount of internally developed software and website development costs related to certain projects might not be recoverable. As a result, we performed a review for impairment of the costs associated with these projects, and have recognized $0.8 million of impairment expense.

Additionally, in December 2016, we decided to no longer support Actiepagina.nl. As a result, we determined that an impairment of unamortized intangible assets associated with Actiepagina.nl was warranted, resulting in an impairment charge of $0.8 million.

Other operating expenses for 2015 consist primarily of amortization expense related to deferred compensation agreements with the selling stockholders of YSL Ventures, Inc. and expense recognized as a result of the identified impairment of purchased intangible assets associated with Bons-de-Reduction.com.

In 2013, we acquired YSL Ventures, Inc. and entered into $6.2 million in deferred compensation agreements with the selling stockholders of the business, $3.1 million of which was paid in October 2014 and the remaining $3.1 million of which was paid in equal quarterly installments over the following year, concluding in October 2015. The deferred compensation was due and payable contingent upon the continued employment of the selling stockholders and as a result we amortized the associated expense over the term of the compensation arrangement with the sellers.

In October 2015, we decided to no longer support the Bons-de-Reduction.com brand. We redirected traffic from Bons-de-Reduction.com to Poulpeo.com, and do not expect Bons-de-Reduction.com to provide additional income. As a result, we determined that a complete impairment of the remaining unamortized intangible assets associated with Bons-de-Reduction was warranted, resulting in an impairment charge of $2.3 million.

Other operating expenses for 2014 consist primarily of amortization expense related to deferred compensation agreements with the selling stockholders of YSL Ventures, Inc. and Bons-de-Reduction.com and Poulpeo.com. In 2012, we acquired Bons-de-Reduction.com and Poulpeo.com and issued $3.5 million in seller notes to the selling stockholders of the business. These seller notes were due and payable contingent upon the continued employment of the selling stockholders and as a result have been recorded as deferred compensation, which we amortized over the term of the compensation arrangement with the sellers, which was completed in May 2014.

We expect other operating expenses to decrease in 2017 as a result of the completion during the first quarter of 2017 of certain of the deferred compensation arrangements with the employees of GiftcardZen Inc.

Other Income (Expense)

Amounts included in other income (expense) include interest income earned on our available cash and cash equivalents, interest expense incurred in connection with our long term debt and the amortization of deferred financing costs. We also include in other income (expense), net foreign currency exchange gains and losses, as well as gains and losses related to our foreign exchange derivative instruments. Changes in these amounts will depend to some extent upon the level of our future borrowing activity and movements in foreign currency.

Income Tax Expense

Our effective tax rate is affected by recurring items, such as tax rates in foreign jurisdictions and the relative amount of income we earn in those jurisdictions, tax credits, state taxes and non-deductible expenses, such as deferred compensation, acquisition costs and stock-based compensation that will not generate tax benefits. Our mix of foreign versus U.S. income, our ability to generate tax credits and our incurrence of any non-deductible expenses will likely cause our effective tax rate to fluctuate in the future. Our effective tax rate is also affected by discrete items that may occur in any given year, but are not

consistent from year to year. Additionally, our effective tax rate can be more or less volatile based on the amount of pre-tax income or loss. For example, the impact of discrete items and non-deductible expenses on our effective tax rate is greater when our pre-tax income is lower.

During the first quarter of 2014, we implemented a global corporate restructuring plan involving our non-U.S. entities to streamline our non-U.S. operations. The impact of this restructuring has resulted in and may continue to result in volatility in our provision for income taxes and our effective tax rate.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in conformity with GAAP requires estimates, judgments and assumptions that affect the reported amounts and classifications of assets and liabilities, net revenues and expenses and the related disclosures of contingent liabilities in our consolidated financial statements and accompanying notes. The SEC has defined a company's critical accounting policies as the ones that are most important to the portrayal of the company's financial condition and results of operations, and which require the company to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, we have identified the following critical accounting policies and estimates addressed below.

We also have other key accounting policies, which involve the use of estimates, judgments, and assumptions that are significant to understanding our results. See Note 2 "Summary of Significant Accounting Policies" of Part II, Item 8: "Financial Statements." Of those policies, we believe that the accounting policies discussed below involve the greatest degree of complexity and exercise of judgment by our management. We evaluate our estimates, judgments and assumptions on an ongoing basis, and while we believe that our estimates, judgments and assumptions are reasonable, they are based upon information available at the time. Actual results may differ significantly from these estimates under different assumptions, judgments or conditions.

Business Combinations and the Recoverability of Goodwill and Long-Lived Intangible Assets

A significant component of our growth strategy has been to acquire and integrate businesses that complement our existing operations. We account for business combinations using the purchase method of accounting and allocate the purchase price of each acquired business to the tangible and intangible assets acquired and liabilities assumed based upon their estimated fair value at the purchase date. The difference between the purchase price and the fair value of the net assets acquired is recorded as goodwill.

In determining the fair value of assets acquired and liabilities assumed in a business combination, we use recognized valuation methods, including the income approach, market approach and cost approach, and apply present value modeling. Our significant estimates in the income, market or cost approach include identifying business factors such as size, growth, profitability, risk and return on investment and assessing comparable net revenues and operating income multiples in estimating the fair value. We also make certain assumptions specific to present value modeling valuation techniques which include risk-adjusted discount rates, future commission rates, rates of increase in operating expenses, weighted-average cost of capital, long-term growth rate assumptions and the future effective income tax rates.

Most of the businesses we have acquired did not have a significant amount of tangible assets. As a result, our acquisitions have resulted in the majority of the purchase price being allocated to identifiable intangible assets and goodwill. The long-lived intangible assets we have identified in each acquisition include customer relationships and marketing-related, contract-related and technology-based intangible assets. All of our long-lived intangible assets have a definite life that ranges from one year to 15 years, which we have determined reflects our best estimate of the pattern in which the economic benefit of the related intangible asset will be utilized.

The valuations of our acquired businesses have been performed by valuation specialists under our management's supervision. We believe that the estimated fair value assigned to the assets acquired and liabilities assumed are based on reasonable assumptions and estimates that marketplace participants would use. However, such assumptions are inherently uncertain and actual results could differ from those estimates. Future changes in our assumptions or the interrelationship of those assumptions may negatively impact future valuations. In future measurements of fair value, adverse changes in discounted cash flow assumptions could result in an impairment of goodwill or intangible assets that would require a non-cash charge to the consolidated statements of operations and may have a material effect on our financial condition and operating results.

We perform our annual impairment testing of goodwill as of October 1 of each year, and whenever events or circumstances indicate that impairment may have occurred. Events or circumstances that could trigger an impairment review include, but are not limited to, a significant adverse change in legal factors or in the business climate, an adverse action or assessment by a regulator, significant changes in competition, a loss of key personnel, significant changes in our use of the acquired assets or the strategy for our overall business, significant negative industry or economic trends, a significant decline in market capitalization or significant underperformance relative to expected historical or projected future results of operations.

We evaluate the recoverability of goodwill using a two-step impairment process tested at the reporting segment level. In the first step, the fair value for our reporting unit is compared to our book value including goodwill. For purposes of performing the required impairment test, we derive enterprise fair value utilizing the market capitalization approach, whereby the market value of our outstanding shares of common stock are utilized to calculate the fair value of our sole reporting unit. In the case that the fair value is less than the book value, a second step is performed that compares the implied fair value of goodwill to the book value of the goodwill. The fair value for the implied goodwill is determined based on the difference between the fair value of the sole reporting segment and the net fair value of the identifiable assets and liabilities excluding goodwill. If the implied fair value of the goodwill is less than the book value, the difference is recognized as an impairment charge in the consolidated statements of operations.

Long-lived assets, including intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When such events occur, we compare the carrying amounts of the assets to their undiscounted expected future cash flows. If this comparison indicates that there is impairment, the amount of the impairment is calculated as the difference between the carrying value and fair value.

Revenue Recognition

With respect to our Core segment, which consists of our marketplace for digital offers (excluding gift cards), we recognize revenue when persuasive evidence of an arrangement exists, services have been rendered, the fee to the paid merchant, defined as a merchant with which we have a contract, is fixed or determinable and collectability of the resulting receivable is reasonably assured. For commission revenues, which represent the substantial majority of our Core segment net revenues, revenue recognition generally occurs when a consumer, having visited one of our websites and clicked on a digital offer for a paid merchant makes a purchase with such paid merchant, and completion of the order is reported to us by such paid merchant, either directly or through a performance marketing network. The reporting by the paid merchant includes the amount of commissions the paid merchant has calculated as owing to us. Certain paid merchants do not provide reporting until a commission payment is made. In those cases, which have historically not been significant, we record commission revenues on a cash basis. For advertising revenues, revenue recognition occurs when we display a paid merchant's advertisements on our websites or mobile applications. Rates for advertising are typically negotiated with individual paid merchants. Payments for advertising may be made directly by paid merchants or through performance marketing networks.

We also generate revenues in our Gift Card segment, the substantial majority of which are derived from the sale of previously owned gift cards and the remainder of which are derived from the sale of gift cards obtained from merchants. We generally purchase gift cards at a discount to face value and resell them to consumers and businesses through our online marketplace at a markup to our cost, while still at a discount to face value. For gift card revenues, revenue recognition occurs when the cards are sent to the purchaser.

Multiple Element Arrangements. When we enter into revenue arrangements with certain paid merchants that are comprised of multiple deliverables, inclusive of the promotion of digital offers and advertising, we allocate consideration to all deliverables based on the relative selling price method in accordance with the selling price hierarchy. The objective of the hierarchy is to determine the price at which we would transact a sale if the service were sold on a stand-alone basis and requires the use of: (1) vendor-specific objective evidence, or VSOE, if available; (2) third-party evidence, or TPE, if VSOE is not available; and (3) a best estimate of the selling price, or BESP, if neither VSOE nor TPE is available.

VSOE. We determine VSOE based on our historical pricing and discounting practices for the specific service when sold separately. In determining VSOE, we require that a substantial majority of the stand-alone selling prices for these services fall within a reasonably narrow pricing range. We have not historically sold our services within a reasonably narrow pricing range. As a result, we have not been able to establish VSOE.

TPE. When VSOE cannot be established for deliverables in multiple element arrangements, we apply judgment with respect to whether we can establish a selling price based on TPE. TPE is determined based on competitor prices for similar deliverables when sold separately. Generally, our go-to-market strategy differs from that of our peers and our offerings contain a significant level of differentiation such that the comparable pricing of services cannot be obtained. Furthermore, we are unable to reliably determine what similar competitor services' selling prices are on a stand-alone basis. As a result, we have not been able to establish selling price based on TPE.

BESP. When we are unable to establish selling price using VSOE or TPE, we use BESP in our allocation of arrangement consideration. The objective of BESP is to determine the price at which we would transact a sale if the service were sold on a stand-alone basis. BESP is generally used to allocate the selling price to deliverables in our multiple element arrangements. We determine BESP for deliverables by considering multiple factors including, but not limited to, prices we charge for similar offerings, market conditions, competitive landscape and pricing practices. We limit the amount of allocable arrangement consideration to amounts that are fixed or determinable and that are not contingent on future performance or future deliverables.

If the facts and circumstances underlying the factors we considered change or should future facts and circumstances lead us to consider additional factors, both our determination of our relative selling price under the hierarchy and our BESPs could change in future periods.

We estimate and record a reserve for commission revenues based upon actual, historical return rates as reported to us by paid merchants to provide for end-user cancellations or product returns, which may not be reported by the paid merchant or performance marketing network until a subsequent date. As such, we report commission revenues net of the estimated returns reserve. Net revenues are reported net of sales taxes, where applicable.

Income Taxes

We are subject to income taxes in both the U.S. and foreign jurisdictions. Significant judgment is required in evaluating our tax positions and determining our provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. For example, our effective tax rate could be affected by differences between our anticipated and the actual mix of earnings generated across different tax jurisdictions which have higher or lower statutory tax rates, by changes in the valuation of our deferred tax assets and liabilities, by changes in foreign currency exchange rates or by changes in the relevant tax, accounting and other laws, regulations, principles and interpretations.

We account for income taxes using the asset and liability method, under which deferred income tax assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying values of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed or settled. We regularly review deferred tax assets to assess their potential realization and establish a valuation allowance for portions of such assets to reduce the carrying value if we do not consider it to be more likely than not that the deferred tax assets will be realized. Any change in the valuation allowance would be charged to income in the period such determination was made. We recognize a tax benefit from an uncertain tax position in the financial statements only when it is more likely than not that the position will be sustained.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across our global operations. ASC 740 states that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of the technical merits.

We record unrecognized tax benefits as liabilities in accordance with ASC 740 and adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. Because of the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the unrecognized tax benefit liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which new information is available.

We are subject to audit in various jurisdictions, and such jurisdictions may assess additional income taxes against us. Although we believe our tax estimates are reasonable, the final determination of any tax audits and any related litigation could be materially different from historical income tax provisions and accruals. The results of an audit or litigation could have a material effect on our operating results or cash flows in the period or periods for which that determination is made.

We consider the earnings of certain non-U.S. subsidiaries to be indefinitely invested outside the United States on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash needs and our specific plans for reinvestment of those subsidiary earnings. We have not recorded a deferred tax liability related to the U.S. federal and state income taxes and foreign withholding taxes of our undistributed earnings of foreign subsidiaries indefinitely invested outside the U.S. Should we decide to repatriate our foreign earnings, we would need to adjust our income tax provision in the period we determined that those earnings would no longer be indefinitely invested outside the U.S.

Stock-Based Compensation

We measure stock-based compensation expense at fair value and generally recognize the corresponding compensation expense, net of estimated forfeitures, on a straight-line basis over the service period during which awards are expected to vest. Forfeiture rates are estimated periodically based on historical experience and adjusted in subsequent periods for differences in actual forfeitures from those estimates.

We use the Black-Scholes-Merton option-pricing model to determine the fair value of stock options and we use a Monte Carlo simulation to determine the fair value of market-based performance awards. The Monte Carlo simulation simulates the present value of the potential outcomes of our future stock prices and the future stock prices of the Russell 2000 Index, or Index, over the requisite performance period. The valuation is based on the risk-free rate of return, the volatilities of our stock price and the stock price of the Index, and the correlation of our stock price with the stock price of the Index.

The determination of the grant date fair value of options using an option-pricing model is affected by our estimates of a number of complex and subjective variables. These variables include:

- *Fair Value of Our Common Stock*. Following the completion of our initial public offering, our common stock is being valued by reference to its publicly traded price.
- *Expected Term.* The expected term represents the period of time the stock options are expected to be outstanding and is based on the "simplified method" allowed under applicable SEC guidance. We used the "simplified method" due to the lack of sufficient historical exercise data to provide a reasonable basis upon which to otherwise estimate the expected life of the stock options.
- *Expected Volatility.* Since we do not have a significant trading history for our Series 1 common stock, the expected stock price volatility is estimated based on a blended rate utilizing our historical volatility and the average historical price volatility for publicly-traded stock of comparable industry peers similar in size, stage of life cycle and financial leverage, based on daily price observations over a period equivalent to the expected term of the stock option grants. We did not rely on implied volatilities of traded options in our industry peers' common stock because the volume of activity was relatively low. We intend to continue to consistently apply this process using the same or similar public companies until a sufficient amount of historical information regarding the volatility of our Series 1 common stock share price becomes available, or unless circumstances change such that the identified companies are no longer similar to us, in which case more suitable companies whose share prices are publicly available would be utilized in the calculation.
- *Dividend Yield.* We do not presently plan to pay cash dividends on our Series 1 common stock in the foreseeable future. Consequently, we used an expected dividend yield of zero.
- *Risk-free Interest Rate.* The risk-free interest rate is based on the yields of U.S. Treasury securities with maturities similar to the expected term of the options for each option group.

The fair value of restricted stock units, or RSUs, equals their intrinsic value on the date of grant. The fair value of performance RSUs based on internal metrics is estimated based on their intrinsic value on the date of grant and the number of restricted stock units we expect to vest based on our estimate of the achievement of the underlying performance conditions.

Results of Operations

The following table presents our historical operating results for the periods indicated. The period-to-period comparisons of financial results are not necessarily indicative of future results.

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Consolidated Statements of Operations Data:			
Net revenues	$ 280,421	$ 249,115	$ 264,683
Cost of net revenues	61,511	19,904	18,617
Gross profit	218,910	229,211	246,066
Operating expenses:			
Product development	52,283	51,580	47,882
Sales and marketing	98,209	99,380	90,062
General and administrative	42,731	39,813	42,343
Amortization of purchased intangible assets	9,466	10,664	12,243
Other operating expenses	7,547	4,616	4,065
Total operating expenses	210,236	206,053	196,595
Income from operations	8,674	23,158	49,471
Other income (expense):			
Interest expense, net	(2,275)	(1,988)	(1,981)
Other income (expense), net	288	(315)	(1,102)
Income before income taxes	6,687	20,855	46,388
Provision for income taxes	(4,719)	(9,007)	(19,423)
Net income	$ 1,968	$ 11,848	$ 26,965

	Year Ended December 31,		
	2016	2015	2014
Consolidated Statements of Operations Data as Percentage of Net Revenues:			
Net revenues	100.0 %	100.0 %	100.0 %
Cost of net revenues	21.9	8.0	7.0
Gross profit	78.1	92.0	93.0
Operating expenses:			
Product development	18.6	20.7	18.1
Sales and marketing	35.0	39.9	34.0
General and administrative	15.2	16.0	16.0
Amortization of purchased intangible assets	3.4	4.3	4.6
Other operating expenses	2.8	1.8	1.6
Total operating expenses	75.0	82.7	74.3
Income from operations	3.1	9.3	18.7
Other income (expense):			
Interest expense, net	(0.8)	(0.8)	(0.7)
Other income (expense), net	0.1	(0.1)	(0.5)
Income before income taxes	2.4	8.4	17.5
Provision for income taxes	(1.7)	(3.6)	(7.3)
Net income	0.7 %	4.8 %	10.2 %

Net Revenues

	Year Ended December 31,		
	2016	2015	2014
	(dollars in thousands)		
Net Revenues by Source:			
Desktop online transaction	$ 144,324	$ 173,922	$ 219,593
Mobile online transaction	27,044	24,406	15,686
Total online transaction	171,368	198,328	235,279
Advertising and in-store	65,506	50,787	29,404
Gift card	43,547	—	—
Total net revenues	$ 280,421	$ 249,115	$ 264,683
Percentage of Net Revenues by Source:			
Desktop online transaction	51.5%	69.8%	83.0%
Mobile online transaction	9.6	9.8	5.9
Total online transaction	61.1	79.6	88.9
Advertising and in-store	23.4	20.4	11.1
Gift card	15.5	—	—
Total percentage of net revenues	100.0%	100.0%	100.0%
Net Revenues by Geography:			
U.S.	$ 231,709	$ 195,788	$ 206,865
International	48,712	53,327	57,818
Total net revenues	$ 280,421	$ 249,115	$ 264,683
Percentage of Net Revenues by Geography:			
U.S.	82.6%	78.6%	78.2%
International	17.4	21.4	21.8
Total percentage of net revenues	100.0%	100.0%	100.0%

2016 compared to 2015. Net revenues increased by $31.3 million, or 12.6%, for the year ended December 31, 2016 compared to the year ended December 31, 2015.

The overall increase in net revenues was driven by $43.5 million of gift card net revenues as a result of our April 5, 2016 acquisition of GiftcardZen Inc. In addition, our advertising and in-store net revenues increased by $14.7 million, or 29.0%, and our mobile online transaction net revenues increased by $2.6 million, or 10.8%. The growth in our advertising and in-store net revenues was primarily due to the efforts of our direct sales force as well as improvements to the usability and functionality enhancements of our in-store product. The growth in our mobile online transaction net revenues was primarily driven by improved monetization resulting from an increase in the percentage of visits that resulted in a paid transaction. In total, these increases were partially offset by a $29.6 million, or 17.0%, decrease in desktop online transaction net revenues. The decrease in our desktop online transaction net revenues was primarily caused by a 16.3% decrease in the total volume of visits to our desktop websites and deterioration in the average commission rate paid to us, which was partially offset by improved monetization driven by an increase in the percentage of visits that resulted in a paid transaction.

2015 compared to 2014. Net revenues decreased by $15.6 million, or 5.9%, for the year ended December 31, 2015 compared to the year ended December 31, 2014.

The overall decrease in net revenues was driven by a $45.7 million, or 20.8%, decrease in desktop online transaction net revenues, partially offset by an $8.7 million, or 55.6%, increase in mobile online transaction net revenues and a $21.4 million, or 72.7%, increase in our advertising and in-store net revenues. The decrease in our desktop online transaction net revenues was primarily caused by a 15.8% decrease in the total volume of visits to our desktop websites and was further driven by deterioration in the average commission rate paid to us. The growth in our mobile online transaction net revenues was primarily driven by a 50.8% increase in visits to our mobile websites, as well as improved monetization driven by an increase in the percentage of visits, including the incremental visits in the period, that resulted in a paid transaction. The growth in our advertising and in-store net revenues was primarily due to the expansion and efforts of our direct sales force as well as improvements to the usability and functionality enhancements of our in-store product.

Cost of Net Revenues

	Year Ended December 31,		
	2016	2015	2014
	(dollars in thousands)		
Cost of net revenues	$ 61,511	$ 19,904	$ 18,617
Percentage of net revenues	21.9%	8.0%	7.0%

2016 compared to 2015. For the year ended December 31, 2016, cost of net revenues increased by $41.6 million, or 209.0%, compared to the year ended December 31, 2015. This increase was primarily attributable to $40.9 million of costs to acquire gift cards related to the operations of GiftcardZen Inc, which was purchased subsequent to the prior year comparable period. In addition, costs associated with cash-back rebates increased by $0.7 million.

2015 compared to 2014. For the year ended December 31, 2015, cost of net revenues increased by $1.3 million, or 6.9%, compared to the year ended December 31, 2014. This increase was largely attributable to a $0.4 million increase in personnel costs and a $0.4 million increase in website operating costs. We increased website operating costs to expand capacity and improve the performance and scalability of our websites and mobile applications.

Product Development

	Year Ended December 31,		
	2016	2015	2014
	(dollars in thousands)		
Product development	$ 52,283	$ 51,580	$ 47,882
Percentage of net revenues	18.6%	20.7%	18.1%

2016 compared to 2015. For the year ended December 31, 2016, product development expense increased by $0.7 million, or 1.4%, compared to the year ended December 31, 2015. This increase was primarily attributable to a $2.0 million increase in personnel costs, partially offset by a $1.3 million decrease in fees for third-party data storage and hosting services.

2015 compared to 2014. For the year ended December 31, 2015, product development expense increased by $3.7 million, or 7.7%, compared to the year ended December 31, 2014. This increase was primarily attributable to a $3.9 million increase in personnel costs. We increased personnel in order to enhance the functionality of, and develop new features and products for, our websites and mobile applications, and to strengthen our reporting and analytics capabilities. Additionally, fees for third-party data storage and hosting services increased by $2.2 million. These increases were partially offset by an increase of $2.6 million in the amount of internally developed software and website development costs capitalized, net of depreciation expense recognized during the period, in 2015 as compared to 2014. The capitalized costs relate primarily to infrastructure development to enhance our advertising and in-store products, personalization capabilities and content quality and delivery capabilities.

Sales and Marketing

	Year Ended December 31,		
	2016	2015	2014
	(dollars in thousands)		
Sales and marketing	$ 98,209	$ 99,380	$ 90,062
Percentage of net revenues	35.0%	39.9%	34.0%

2016 compared to 2015. For the year ended December 31, 2016, sales and marketing expense decreased by $1.2 million, or 1.2%, compared to the year ended December 31, 2015. This decrease was primarily attributable to a $3.9 million decrease in paid search expenses. This decrease was offset by an increase in online, brand and other marketing expenses of $1.5 million, primarily related to contextual advertising placements and user acquisition and retention efforts, and a $0.7 million increase in personnel costs.

2015 compared to 2014. For the year ended December 31, 2015, sales and marketing expense increased by $9.3 million, or 10.3%, compared to the year ended December 31, 2014. This increase was primarily attributable to a $6.2 million increase in personnel costs. We increased personnel in order to continue the expansion of our sales teams to support our business and to further strengthen relationships with leading merchants. Online, brand and other marketing expenses increased by $3.9 million. This increase was primarily attributable to online advertising for brand building, contextual advertising placements and user acquisition efforts. These increases were offset by a $1.1 million decrease in paid search expenses.

General and Administrative

	Year Ended December 31,		
	2016	2015	2014
	(dollars in thousands)		
General and administrative	$ 42,731	$ 39,813	$ 42,343
Percentage of net revenues	15.2%	16.0%	16.0%

2016 compared to 2015. For the year ended December 31, 2016, general and administrative expense increased by $2.9 million, or 7.3%, compared to the year ended December 31, 2015. This increase was primarily attributable to a $2.9 million increase in personnel costs, approximately $1.8 million of which was increased bonus expense.

2015 compared to 2014. For the year ended December 31, 2015, general and administrative expense decreased by $2.5 million, or 6.0%, compared to the year ended December 31, 2014. This decrease was primarily attributable to a $2.5 million decrease in our provision for doubtful accounts receivable.

Amortization of Purchased Intangible Assets

	Year Ended December 31,		
	2016	2015	2014
	(dollars in thousands)		
Amortization of purchased intangible assets	$ 9,466	$ 10,664	$ 12,243
Percentage of net revenues	3.4%	4.3%	4.6%

2016 compared to 2015. For the year ended December 31, 2016, amortization of purchased intangible assets decreased by $1.2 million, or 11.2%, compared to the year ended December 31, 2015. The decrease in amortization expense was primarily due to a decrease of $2.9 million in amortization expense of existing intangible assets, primarily related to the expiration of the useful life of certain of our contract-based purchased intangible assets. This decrease was partially offset by $1.6 million of amortization expense related to intangible assets we have recorded in the current year-to-date period in conjunction with our acquisition of GiftcardZen Inc.

2015 compared to 2014. For the year ended December 31, 2015, amortization of purchased intangible assets decreased by $1.6 million, or 12.9%, compared to the year ended December 31, 2014. The decrease in amortization expense was due to the expiration of the useful life of certain of the purchased intangible assets as part of our acquisition of the businesses of Actiepagina.nl in March 2013, Ma-Reduc.com in July 2013 and YSL Ventures, Inc. in October 2013.

Other Operating Expenses

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Impairment of assets	$ 1,620	$ 2,340	$ —
Deferred compensation	5,944	2,297	3,978
Assets disposal (gain) or loss	(17)	(21)	87
Total other operating expenses	$ 7,547	$ 4,616	$ 4,065

2016 compared to 2015. During the year ended December 31, 2016 we recognized $5.9 million in deferred compensation expense for our April 5, 2016 acquisition of GiftcardZen Inc. Additionally, in December 2016, we decided to no longer support Actiepagina.nl in the Netherlands. As a result, we determined that an impairment of unamortized intangible assets associated with Actiepagina.nl was warranted, resulting in an impairment charge of $0.8 million. Also during 2016, we noted circumstances that indicated the carrying amount of internally developed software and website development costs related to certain projects might not be recoverable. As a result, we performed a review for impairment of the costs associated with these projects, and have recognized $0.8 million of impairment expense.

During the year ended December 31, 2015, we recognized $2.3 million in deferred compensation expense for our October 2013 acquisition of the business of YSL Ventures, Inc. Our deferred compensation agreements with the selling stockholders of YSL Ventures, Inc. were completed in October 2015. Additionally, in October 2015, we decided to no longer support the Bons-de-Reduction.com brand, and we redirected traffic from Bons-de-Reduction.com to Poulpeo.com. As a result of this impairment indicator, we determined that a complete impairment of the remaining unamortized intangible assets related to Bons-de-Reduction.com was warranted, resulting in an impairment charge of $2.3 million.

2015 compared to 2014. During the years ended December 31, 2015 and 2014, we recognized $2.3 million and $4.0 million, respectively, in deferred compensation charges for our October 2013 acquisition of the business of YSL Ventures, Inc. and our May 2012 acquisition of the businesses of Bons-de-Reduction.com and Poulpeo.com. The decrease in deferred compensation expense is due primarily to the May 2014 completion of our deferred compensation agreement with the selling stockholders of Bons-de-Reduction.com and Poulpeo.com and the October 2015 completion of our deferred compensation agreement with the selling stockholders of YSL Ventures, Inc.

In October 2015, we decided to no longer support the Bons-de-Reduction.com brand, and we redirected traffic from Bons-de-Reduction.com to Poulpeo.com. As a result of this impairment indicator, we determined that a complete impairment of the remaining unamortized intangible assets related to Bons-de-Reduction.com was warranted, resulting in an impairment charge of $2.3 million. We did not record any intangible asset impairment charges during the year ended December 31, 2014.

Other Income (Expense)

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Interest expense, net	$ (2,275)	$ (1,988)	$ (1,981)
Other income (expense), net	288	(315)	(1,102)

2016 compared to 2015. The increase of $0.3 million in interest expense, net, for the year ended December 31, 2016, as compared to the year ended December 31, 2015 is due primarily to an increase in the average interest rate on our senior debt facility.

The increase in other income (expense), net is due to a 2016 net foreign currency gain of $0.3 million as compared to a 2015 net foreign currency loss of $0.4 million. Our net foreign currency exchange activity in 2016 and 2015 include the impact of a gain of $0.5 million and $0.8 million, respectively, related to our foreign exchange derivative instruments.

2015 compared to 2014. Interest expense, net, remained relatively constant for the year ended December 31, 2015, as compared to the year ended December 31, 2014. The effect on interest expense, net, of an increase in average outstanding

principal on our senior debt facility was offset by lower average interest rates on our outstanding debt, due to the repayment during 2014 of seller notes we issued in connection with our acquisitions of businesses.

The decrease in other expense, net is due to a decrease in our net foreign currency exchange loss from $0.9 million in 2014 to $0.4 million in 2015. Our net foreign currency exchange losses in 2015 and 2014 include the offsetting impact of a gain of $0.8 million and $0.2 million, respectively, related to our foreign exchange derivative instruments.

Income Taxes

	Year Ended December 31,		
	2016	2015	2014
	(dollars in thousands)		
Provision for income taxes	$ (4,719)	$ (9,007)	$ (19,423)
Percentage of net revenues	(1.7)%	(3.6)%	(7.3)%
Effective tax rate	70.6 %	43.2 %	41.9 %

2016 compared to 2015. Our income tax expense for the year ended December 31, 2016 was $4.7 million, or a decrease of 47.6%, compared to income tax expense of $9.0 million for the year ended December 31, 2015. Our effective tax rate was 70.6% and 43.2% during the year ended December 31, 2016 and 2015, respectively. The increase in our effective tax rate was primarily driven by the impact of non-deductible stock-based compensation charges and non-deductible deferred compensation expenses on the reduced amount of pre-tax income recorded in 2016 as compared to 2015. As of December 31, 2016, our effective tax rate differed from the statutory rate primarily due to non-deductible stock-based compensation charges, non-deductible deferred compensation expenses and state income taxes, which were partially offset by the benefit from U.S. federal research and development tax credits. As of December 31, 2015, our effective tax rate differed from the statutory rate primarily due to non-deductible stock-based compensation charges, non-deductible deferred compensation expenses and state income taxes and tax charges associated with the implementation of our global corporate restructuring plan, which were partially offset by the effect of different statutory tax rates in foreign jurisdictions, tax credits and the benefit of disqualifying dispositions of incentive stock options.

2015 compared to 2014. Our income tax expense for the year ended December 31, 2015 was $9.0 million, or a decrease of 53.6%, compared to income tax expense of $19.4 million for the year ended December 31, 2014. Our effective tax rate was 43.2% and 41.9% during the year ended December 31, 2015 and 2014, respectively. As of December 31, 2015, our effective tax rate differed from the statutory rate primarily due to non-deductible stock-based compensation charges, non-deductible deferred compensation expenses and state income taxes and tax charges associated with the implementation of our global corporate restructuring plan, which were partially offset by the effect of different statutory tax rates in foreign jurisdictions, tax credits and the benefit of disqualifying dispositions of incentive stock options. As of December 31, 2014, our effective tax rate differed from the statutory rate primarily due to tax charges associated with the implementation of our global corporate restructuring plan in the first fiscal quarter of 2014, non-deductible stock-based compensation charges, non-deductible deferred compensation expenses and state income taxes, which were partially offset by the effect of different statutory tax rates in foreign jurisdictions, tax credits and the benefit of disqualifying dispositions of incentive stock options.

Segment Results

Our two reportable segments are Core and Gift Card. We added Gift Card as a reportable segment during the second quarter of 2016 to align with a change in how our chief operating decision maker, or CODM, who is our CEO, evaluates business performance, concurrent with our April 5, 2016 purchase of GiftcardZen Inc, a secondary marketplace for gift cards. Our Gift Card segment consists of our marketplace for gift cards, and our Core segment consists of all other products and services that are related to our marketplace for digital offers.

Our CODM allocates resources and assesses performance of the business at the reportable segment level based primarily on net revenues and segment operating income (loss) for both segments and gross profit for the Gift Card segment. Segment operating income (loss) includes internally allocated costs of our information technology function. We do not allocate stock-based compensation expense, depreciation and amortization, third-party acquisition-related costs or other operating expenses to our segments. Our performance evaluation does not include segment assets.

For detailed financial information regarding our reportable operating segments, including a reconciliation of segment results to our consolidated results, see Note 15 "Segment Reporting" of the Notes to Consolidated Financial Statements included in Part II, Item 8: "Financial Statements" of this Annual Report on Form 10-K.

The following tables present information by reportable operating segment for the periods indicated:

Core Segment

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Net revenues	$ 236,874	$ 249,115	$ 264,683
Cost of net revenues	18,426	17,170	16,313
Gross profit	218,448	231,945	248,370
Operating expenses	155,344	160,055	154,470
Segment income from operations	$ 63,104	$ 71,890	$ 93,900

2016 compared to 2015. Net revenues from the Core segment decreased by $12.2 million, or 4.9%, for the year ended December 31, 2016 compared to the year ended December 31, 2015. The decrease was primarily due to a $29.6 million, or 17.0%, decrease in desktop online transaction net revenues, partially offset by a $14.7 million, or 29.0%, increase in our advertising and in-store net revenues and a $2.6 million, or 10.8%, increase in mobile online transaction net revenues. The decrease in our desktop online transaction net revenues was primarily caused by a 16.3% decrease in the total volume of visits to our desktop websites and was further driven by deterioration in the average commission rate paid to us, which was partially offset by improved monetization driven by an increase in the percentage of visits that resulted in a paid transaction. The growth in our advertising and in-store net revenues was primarily due to the expansion and efforts of our direct sales force as well as improvements to the usability and functionality enhancements of our in-store product. The growth in our mobile online transaction net revenues was primarily driven by improved monetization resulting from an increase in the percentage of visits that resulted in a paid transaction.

Income from operations for the Core segment decreased by $8.8 million, or 12.2%, for the year ended December 31, 2016 compared to the year ended December 31, 2015. The decrease was due primarily to the $12.2 million decrease in net revenues discussed above and a $1.3 million, or 7.3%, increase in cost of net revenues. These changes were partially offset by a $4.7 million, or 2.9%, decrease in operating expenses.

2015 compared to 2014. Net revenues from the Core segment decreased by $15.6 million, or 5.9%, for the year ended December 31, 2015 compared to the year ended December 31, 2014. The decrease was primarily due to a $45.7 million, or 20.8%, decrease in desktop online transaction net revenues, partially offset by an $8.7 million, or 55.6%, increase in mobile online transaction net revenues and a $21.4 million, or 72.7%, increase in our advertising and in-store net revenues. The decrease in our desktop online transaction net revenues was primarily caused by an 15.8% decrease in the total volume of visits to our desktop websites and was further driven by deterioration in the average commission rate paid to us. The growth in our mobile online transaction net revenues was primarily driven by a 50.8% increase in visits to our mobile websites, as well as improved monetization driven by an increase in the percentage of visits, including the incremental visits in the period, that resulted in a paid transaction. The growth in our advertising and in-store net revenues was primarily due to the expansion and efforts of our direct sales force as well as improvements to the usability and functionality enhancements of our in-store product.

Income from operations for the Core segment decreased by $22.0 million, or 23.4%, for the year ended December 31, 2015 compared to the year ended December 31, 2014. The decrease was due primarily to the $15.6 million decrease in net revenues discussed above, as well as a $5.6 million, or 3.6%, increase in operating expenses and a $0.9 million, or 5.3%, increase in cost of net revenues.

Gift Card Segment

	Year Ended December 31, 2016	2015	2014
	(in thousands)		
Net revenues	$ 43,547	$ —	$ —
Cost of net revenues	40,922	—	—
Gross profit	2,625	—	—
Operating expenses	4,454	—	—
Segment loss from operations	$ (1,829)	$ —	$ —

We created our Gift Card segment during the second quarter of 2016, concurrent with our April 5, 2016 purchase of GiftcardZen Inc, a secondary marketplace for gift cards. As such, a comparison to prior year comparable periods is not available for the Gift Card segment.

Seasonality and Quarterly Results

Our overall operating results fluctuate from quarter to quarter as a result of a variety of factors, including seasonal factors and economic cycles that influence consumer purchasing of retail products. Historically, we have experienced the highest levels of visitors to our websites and mobile applications and net revenues in the fourth quarter of the year, which coincides with the winter holiday season in the U.S. and Europe. During the fourth quarter of 2016, we generated net revenues of $96.9 million, which represented 34.5% of our net revenues for 2016. Further, net revenues from our advertising and in-store products are more heavily weighted to the fourth quarter of the year. As net revenues from this part of our business grow as a percentage of net revenues of our Core segment, for example to 27.7% from 20.4% of such net revenues for 2016 and 2015, respectively, our seasonality may increase. We do not yet have sufficient operating history with respect to our Gift Card segment to forecast its seasonality.

Our investments have led to uneven quarterly operating results due to increases in personnel costs, brand marketing, product and technology enhancements and the impact of strategic projects. The return on these investments is generally achieved in future periods and, as a result, these investments can adversely impact near term results.

Our business is directly affected by the behavior of consumers. Economic conditions and competitive pressures can impact, both positively and negatively, the types of digital offers featured on our websites and mobile applications and the rates at which consumers utilize them. Consequently, the results of any prior quarterly or annual periods should not be relied upon as indications of our future operating performance.

Liquidity and Capital Resources

Since our inception, we have funded our operations and acquisitions primarily through private placements of our preferred stock, the issuance of equity securities through our initial public offering and follow-on public offering, bank borrowings and cash flows from operations. We generated positive cash flows from operations for the years ended December 31, 2016, 2015 and 2014. As of December 31, 2016, we had $216.9 million in cash and cash equivalents, compared to $259.8 million at December 31, 2015. At December 31, 2016, certain of our foreign subsidiaries held approximately $17.3 million of our cash and cash equivalents. If these assets were distributed to the U.S., we might be subject to additional U.S. taxes in certain circumstances, subject to an adjustment for foreign tax credits, and foreign withholding taxes. We have not provided for these taxes because we consider these assets to be permanently reinvested in our foreign subsidiaries. We have no plans or intentions to repatriate cumulative earnings of our foreign subsidiaries through December 31, 2016.

The following table summarizes our cash flows for the periods indicated:

	Year Ended December 31,		
	2016	2015	2014
		(in thousands)	
Net cash provided by operating activities	$ 38,889	$ 60,489	$ 61,395
Net cash used in investing activities	(32,935)	(19,217)	(13,049)
Net cash provided by (used in) financing activities	(48,015)	(24,890)	31,444
Effect of foreign currency exchange rate on cash	(850)	(1,095)	(1,189)
Change in cash and cash equivalents	(42,911)	15,287	78,601
Cash and cash equivalents, beginning of year	259,769	244,482	165,881
Cash and cash equivalents, end of year	$ 216,858	$ 259,769	$ 244,482

Net Cash Provided by Operating Activities

Cash provided by operating activities primarily consists of our net income adjusted for certain non-cash items and the effect of changes in operating assets and liabilities. Net cash provided by operating activities was $38.9 million, $60.5 million and $61.4 million during the years ended December 31, 2016, 2015 and 2014, respectively.

During 2016, cash flows from operating activities were primarily generated through our net income of $2.0 million, including the impact of depreciation and amortization expense of $18.1 million, stock-based compensation expense of $26.2 million, the amortization of deferred compensation of $5.9 million and impairment expense of $1.6 million, offset by $14.9 million from changes in cash flows associated with operating assets and liabilities. The changes in cash flows associated with operating assets and liabilities were primarily driven by an increase in inventory of $8.8 million subsequent to our acquisition of GiftcardZen Inc.

During 2015, cash flows from operating activities were primarily generated through net income of $11.8 million, including the impact of depreciation and amortization expense of $17.1 million, stock-based compensation expense of $26.9 million, intangible asset impairment expense of $2.3 million and the amortization of deferred compensation of $2.3 million.

During 2014, cash flows from operating activities were primarily generated through net income of $27.0 million, including the impact of depreciation and amortization expense of $15.7 million, stock-based compensation expense of $24.5 million and the amortization of deferred compensation of $4.0 million, offset by excess income tax benefit from stock-based compensation and other costs of $12.2 million and a deferred income tax benefit of $4.2 million.

Net Cash Used in Investing Activities

Our primary investing activities for the periods presented consist of a business acquisition, purchases of property and equipment and other assets and the purchase of a non-marketable investment. Net cash used in investing activities was $32.9 million, $19.2 million and $13.0 million during the years ended December 31, 2016, 2015 and 2014, respectively.

During 2016 we acquired GiftcardZen Inc for $20.7 million, net of cash held by the acquired business.

During 2016, 2015 and 2014, we used $12.2 million, $15.2 million and $13.0 million, respectively, related to the purchase of computer equipment and software, office furniture and fixtures, leasehold improvements, certain capitalized internally developed software and website development costs and domain names. As we expand our business, we intend to purchase additional technology resources and invest in our operating facilities.

During 2015, we used $4.0 million to invest in a non-controlling minority ownership stake in a privately-held marketing technology company in the United States.

Net Cash Provided by (Used in) Financing Activities

Our primary financing activities for the periods presented consisted of proceeds from and repayments of our long term debt, the repurchase of our Series 1 common stock and share based payment activity. Net cash used in financing activities was $48.0 million and $24.9 million during the years ended December 31, 2016 and 2015, respectively. Net cash provided by financing activities was $31.4 million for the year ended December 31, 2014.

During 2016, we used $36.2 million of our cash to repurchase our Series 1 common stock and $10.0 million to repay a portion of our senior debt. The remainder of our financing activities was primarily composed of payments of taxes related to net share settlement of equity awards, net of proceeds from the issuance of common stock, of $1.9 million.

During 2015, we borrowed $30.0 million under our revolving credit facility. We used $52.9 million of our cash to repurchase our Series 1 common stock. The remainder of our financing activities was primarily composed of proceeds from the issuance of common stock, net of shares withheld for taxes, of $4.2 million, the repayment of a $7.5 million portion of our senior debt and the excess income tax benefit from stock-based compensation and other costs of $1.4 million.

During 2014, we borrowed $49.2 million, net of issuance costs, in connection with the amendment of our senior debt, and used $41.3 million to repay a portion of our senior debt and certain seller notes payable. The remainder of our financing activities during the period was primarily composed of proceeds from the exercise of stock options by employees of $11.5 million and the excess income tax benefit from stock-based compensation and other costs of $12.2 million.

Capital Resources

We believe that our existing cash and cash equivalents and cash generated from operations will be sufficient to satisfy our currently anticipated cash requirements through at least the next 12 months. As of December 31, 2016, we had $62.5 million in long-term debt outstanding, $10.0 million of which is classified as current maturities, and $93.0 million available for borrowing under our revolving credit facility. Our long-term debt and revolving credit facility are more fully described in Note 7 of the Notes to Consolidated Financial Statements under Part II, Item 8: "Financial Statements" of this Annual Report on Form 10-K.

Our future capital requirements will depend on many factors, including our rate of net revenues growth, the expansion of our marketing and sales initiatives, the timing and extent of spending to support product development efforts, the timing of introductions of new products and services and enhancements to existing products and services, potential acquisitions, repurchases of our common stock and the continuing market acceptance of our products and services. We may need to raise additional capital through future debt or equity financing to the extent necessary to fund such activities. Additional financing may not be available at all or on terms favorable to us. We may enter into arrangements in the future with respect to investments in, or acquisitions of, similar or complementary businesses, products, services or technologies, which could also require us to seek additional debt or equity financing.

In February 2015, our board of directors authorized a two year share repurchase program. Under the program, we were initially authorized to repurchase shares of Series 1 common stock for an aggregate purchase price not to exceed $100 million over a period of up to 24 months. In February 2016, our board of directors authorized an additional $50 million under the repurchase program, bringing the total amount of the program up to $150 million. In February 2017, our board approved an extension of the share repurchase program for another year. The repurchase program is now authorized through February 2018. We have funded, and plan on funding in the future, any purchases under this program from one or a combination of existing cash balances, future cash flow, availability under our revolving credit facility and additional debt financing. During the year ended December 31, 2016, we repurchased 4,128,011 shares of Series 1 common stock at an aggregate purchase price of $36.8 million. Since the plan's inception through December 31, 2016, we have repurchased 8,451,011 shares of Series 1 common stock at an aggregate purchase price of $89.6 million.

Contractual Obligations

The following table summarizes our future contractual obligations as of December 31, 2016:

	Payment Due By Period				
Contractual Obligations	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
	(in thousands)				
Debt obligations (including short-term debt) [(1)]	$ 62,500	$ 10,000	$ 52,500	$ —	$ —
Operating lease obligations [(2)]	32,598	3,883	7,770	8,538	12,407
Purchase obligations [(3)]	3,306	2,593	674	39	—
Total	$ 98,404	$ 16,476	$ 60,944	$ 8,577	$ 12,407

(1) These amounts exclude estimated cash interest payments of approximately $2.1 million in 2017, $2.0 million in 2018 and $2.1 million in 2019 (based on applicable interest rates as of December 31, 2016, in the case of variable interest rate debt).
(2) We lease our principal office facilities, including our headquarters in Austin, Texas, under non-cancellable operating leases. Certain leases contain periodic rent escalation adjustments and renewal and expansion options. We recognize rent expense on a straight-line basis over the lease periods. Operating lease obligations expire at various dates with the latest maturity in 2025. We are also responsible for certain real estate taxes, utilities, and maintenance costs on our office facilities.
(3) Purchase obligations primarily represent non-cancelable contractual obligations related to content licensing, technology and facilities agreements.

Off-Balance Sheet Arrangements

For the years ended December 31, 2016, 2015 and 2014, we did not, and we do not currently, have any off-balance sheet arrangements.

Recently Issued and Adopted Accounting Pronouncements

Recently Adopted

In April 2015, the Financial Accounting Standards Board, or FASB, issued new guidance clarifying whether a customer should account for a cloud computing arrangement as an acquisition of a software license or as a service arrangement by providing characteristics that a cloud computing arrangement must have in order to be accounted for as a software license acquisition. The guidance allows either retrospective or prospective application and is effective for fiscal years beginning after December 15, 2015. The adoption of this guidance in the first quarter of 2016 did not have a material impact on our consolidated financial statements.

In April 2015, the FASB issued new guidance that amends the balance sheet presentation of debt issuance costs. The guidance requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. The guidance requires retrospective application and is effective for fiscal years beginning after December 15, 2015. The adoption of this guidance in the first quarter of 2016 resulted in a reclassification of $1.6 million of debt issuance costs associated with our long-term debt as of December 31, 2015 from other assets, net to long term debt in our consolidated financial statements.

In November 2015, the FASB issued new guidance that amends the balance sheet presentation for deferred tax assets and liabilities. The guidance requires that all deferred tax assets and liabilities, and any related valuation allowance, be classified as noncurrent on the balance sheet. The guidance allows either retrospective or prospective application and is effective for fiscal years beginning after December 15, 2016. The early adoption of this guidance in the first quarter of 2016, using retrospective application, resulted in a reclassification as of December 31, 2015 that consisted of a $3.9 million decrease in current deferred tax assets, included within prepaids and other current assets, net, a $0.9 million increase in noncurrent deferred tax assets, included within other assets, net, and a $3.0 million decrease in deferred tax liability—noncurrent.

To Be Adopted

In May 2014, the FASB issued new guidance that superseded previously existing revenue recognition requirements. The guidance provides a five-step process to recognize revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration expected in exchange for those goods and services. The guidance requires disclosures enabling users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. On July 9, 2015, the FASB deferred the effective date by one year to December 15, 2017 for the first interim period within annual reporting periods beginning after that date, using either a full or modified retrospective application method. Early adoption of the standard is permitted, but not before the first interim period within annual reporting periods beginning after the original effective date of December 15, 2016. We have made progress toward completing our evaluation of the impact that potential changes from adopting the new standard will have on our net revenues and our consolidated financial statements. We expect to have our preliminary evaluation, including the selection of an adoption method, completed by the end of the first half of 2017.

In February 2016, the FASB issued new guidance that amends the existing accounting standards for lease accounting. The guidance requires lessees to recognize assets and liabilities on their balance sheets for all leases with terms of more than twelve months. Additionally, the guidance requires new qualitative and quantitative disclosures about leasing activities. The guidance requires a modified retrospective application approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The guidance is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. We are currently evaluating the effect that the adoption of this guidance will have on our consolidated financial statements.

In March 2016, the FASB issued new guidance that amends several aspects of the existing accounting standards for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification of related amounts within the statement of cash flows. The guidance is effective for fiscal years beginning after December 15, 2016, using prospective and retrospective application methods. Early adoption is permitted. We will adopt this guidance effective January 1, 2017. Under this ASU, entities are permitted to make an accounting policy election to either estimate forfeitures on share-based payment awards, as previously required, or to recognize forfeitures as they occur. We will elect to continue to estimate forfeitures. Additionally, this ASU requires that all income tax effects related to settlements of share-based payment awards be reported in earnings as an increase or decrease to income tax expense (benefit), net. Previously, income tax benefits at settlement of an award were reported as an increase (or decrease) to additional paid-in capital to the extent that those benefits were greater than (or less than) the income tax benefits reported in earnings during the award's vesting period. We will adopt this guidance prospectively. This ASU also requires that all income tax-related cash flows resulting from share-based payments be reported as operating activities in the statement of cash flows. Previously, income tax benefits at settlement of an award were reported as a reduction to operating cash flows and an increase to financing cash flows to the extent that those benefits exceeded the income tax benefits reported in earnings during the award's vesting period. We are electing to adopt this retrospectively. If this aspect of the guidance had been in effect for each of the periods presented, our operating cash flows for 2016, 2015 and 2014 would have increased by $0.2 million, $1.4 million and $12.2 million, respectively. We do not expect the remaining provisions of this ASU to have a material impact on our consolidated financial statements.

In June 2016, the FASB issued new guidance that modifies the method of accounting for expected credit losses on certain financial instruments, including trade and other receivables, which generally will result in the earlier recognition of allowances for losses. The guidance is effective for fiscal years beginning after December 15, 2019, using a modified retrospective application method through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. Early adoption is permitted for fiscal years beginning after December 15, 2018. We are currently evaluating the effect that the adoption of this guidance will have on our consolidated financial statements.

In August 2016, the FASB issued new guidance that clarifies how certain cash receipts and payments are to be presented in the statement of cash flows. The guidance is effective for fiscal years beginning after December 15, 2017, using a retrospective application method. Early adoption is permitted. We are currently evaluating the effect that the adoption of this guidance will have on our consolidated financial statements.

In October 2016, the FASB issued new guidance that requires immediate recognition of the income tax consequences of intercompany asset transfers other than inventory. The guidance is effective for fiscal years beginning after December 15, 2017, using a modified retrospective application method through a cumulative-effect adjustment directly to retained earnings as of the

beginning of the period of adoption. Early adoption is permitted. We are currently evaluating the effect that the adoption of this guidance will have on our consolidated financial statements.

In January 2017, the FASB issued new guidance that clarifies the definition of a business for determining whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The guidance is effective for fiscal years beginning after December 15, 2017, using the prospective method. We are currently evaluating the effect that the adoption of this guidance will have on our consolidated financial statements.

In January 2017, the FASB issued new guidance simplifying subsequent goodwill measurement by eliminating Step 2 from the goodwill impairment test. The guidance requires that entities record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The guidance is effective for fiscal years beginning after December 15, 2019, using the prospective method. Early adoption is permitted. We are currently evaluating the effect that the adoption of this guidance will have on our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

We have both U.S. and international operations, and we are exposed to market risks in the ordinary course of our business, including the effect of foreign currency fluctuations, interest rate changes and inflation. Information relating to quantitative and qualitative disclosures about these market risks is set forth below.

Foreign Currency Exchange Risk

We transact business in various currencies other than the U.S. dollar, principally the British pound sterling and the Euro, which exposes us to foreign currency risk. Net revenues and related expenses generated from our international operations are denominated in the functional currencies of the corresponding country. The functional currency of each of our non-U.S. subsidiaries that either operate or support these markets is generally the same as the corresponding local currency. For 2016 and 2015, approximately 17.4% and 21.4%, respectively, of our net revenues were denominated in such foreign currencies.

We have entered into derivative instruments to hedge certain exposures to foreign currency risk on non-functional currency denominated intercompany loans and the re-measurement of certain assets and liabilities denominated in non-functional currencies in our foreign subsidiaries, but did not enter into any derivative financial instruments for trading or speculative purposes. Although we have experienced and will continue to experience fluctuations in our net income as a result of the consolidation of our international operations due to transaction gains (losses) related to revaluing certain cash balances and trade accounts receivable that are denominated in currencies other than the U.S. dollar, we believe such a change will not have a material impact on our results of operations.

We assess our market risk based on changes in foreign currency exchange rates utilizing a sensitivity analysis that measures the potential impact in earnings, fair values and cash flows based on a hypothetical 10% change (increase and decrease) in currency rates. We use a current market pricing model to assess the changes in the value of the U.S. dollar on foreign currency denominated monetary assets and liabilities.

The primary assumption used in these models is a hypothetical 10% weakening or strengthening of the U.S. dollar against all of our currency exposures as of December 31, 2016, assuming instantaneous and parallel shifts in exchange rates. As of December 31, 2016, our working capital surplus (defined as current assets less current liabilities) subject to foreign currency translation risk was $25.4 million. The potential decrease in net current assets from a hypothetical 10.0% adverse change in quoted foreign currency exchange rates would be $2.5 million. This compares to a working capital surplus subject to foreign currency translation risk of $25.9 million as of December 31, 2015, for which a hypothetical 10% adverse change would have resulted in a potential decrease in net current assets of $2.6 million.

Interest Rate Risk

As of December 31, 2016, we had total notes payable of $62.5 million, consisting of variable interest rate debt based on 3-month LIBOR. Our variable interest rate debt is subject to interest rate risk, because our interest payments will fluctuate with movements in the underlying 3-month LIBOR rate. A 100 basis point increase in LIBOR rates would result in an increase in our interest expense of $0.6 million for the next 12 months based on current outstanding borrowings.

Our exposure to market risk on our cash and cash equivalents for changes in interest rates is limited because nearly all of our cash and cash equivalents have a short-term maturity and are used primarily for working capital purposes.

Impact of Inflation

We believe that our results of operations are not materially impacted by moderate changes in the inflation rate. Inflation and changing prices did not have a material effect on our business, financial condition or results of operations in 2016, 2015, or 2014.

Item 8. Financial Statements.

The information required by this item is incorporated by reference to the consolidated financial statements and accompanying notes set forth on pages F-1 through F-34 of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act refers to controls and procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to a company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2016, the end of the period covered by this Annual Report on Form 10-K. Based upon such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of such date.

Management's Report on Internal Control Over Financial Reporting and Attestation Report of the Registered Public Accounting Firm

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). Internal control over financial reporting is a process designed by, or under the supervision of, the issuer's principal executive and principal financial officers, or persons performing similar functions, and effected by the issuer's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that our degree of compliance with the policies or procedures may deteriorate.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of the end of the period covered by this Annual Report on Form 10-K based on the framework in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organization of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2016.

Our independent registered public accounting firm, which has audited our consolidated financial statements, has also audited the effectiveness of our internal control over financial reporting as of December 31, 2016, as stated in their report, which is included in Item 15(a)(1) of this Annual Report on Form 10-K.

GiftcardZen Inc, which was acquired on April 5, 2016, was excluded from the scope of our management's report on internal control over financial reporting as of December 31, 2016, as permitted by the Securities and Exchange Commission guidelines that allow companies to exclude certain acquisitions from their assessment of internal control over financial reporting during the first year of an acquisition. This business constituted approximately 5% of our total assets (excluding goodwill and acquired intangible assets) as of December 31, 2016 and 16% of our total net revenues for the year ended December 31, 2016.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2016, which were identified in connection with management's evaluation required by Rules 13a-15(d) and 15d-15(d) under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Controls

Our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives as specified above. Management does not expect, however, that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our company have been detected.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by Part III, Item 10, will be included in our Proxy Statement relating to our 2017 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2016, and is incorporated herein by reference.

Item 11. Executive Compensation

Information required by Part III, Item 11, will be included in our Proxy Statement relating to our 2017 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2016, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information required by Part III, Item 12, will be included in our Proxy Statement relating to our 2017 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2016, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions and Director Independence.

Information required by Part III, Item 13, will be included in our Proxy Statement relating to our 2017 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2016, and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

Information required by Part III, Item 14, will be included in our Proxy Statement relating to our 2017 annual meeting of stockholders to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2016, and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) Documents Filed with Report
(b) Financial Statements.

(2) Financial Statement Schedules.

All schedules are omitted because the required information is already included in our notes to our consolidated financial statements or because they are not applicable.

(3) Exhibits.

The information required by this Item is set forth on the exhibit index that follows the signature page of this Annual Report on Form 10-K.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 17, 2017

RETAILMENOT, INC.

By: /S/ G. COTTER CUNNINGHAM
G. Cotter Cunningham
President and Chief Executive Officer

SIGNATURES AND POWER OF ATTORNEY

Each person whose individual signature appears below hereby authorizes and appoints G. Cotter Cunningham and J. Scott Di Valerio, and each of them, with full power of substitution and resubstitution and full power to act without the other, as his or her true and lawful attorney-in-fact and agent to act in his or her name, place and stead and to execute in the name and on behalf of each person, individually and in each capacity stated below, and to file any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing, ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated.

Signature	Title	Date
/S/ G. COTTER CUNNINGHAM *G. Cotter Cunningham*	President, Chief Executive Officer (Principal Executive Officer) and Director	February 17, 2017
/S/ J. SCOTT DI VALERIO *J. Scott Di Valerio*	Chief Financial Officer (Principal Financial Officer)	February 17, 2017
/S/ THOMAS E. AYLOR *Thomas E. Aylor*	Principal Accounting Officer	February 17, 2017
/S/ C. THOMAS BALL *C. Thomas Ball*	Director	February 17, 2017
/S/ JEFFREY M. CROWE *Jeffrey M. Crowe*	Director	February 17, 2017
/S/ ERIC KORMAN *Eric Korman*	Director	February 17, 2017
/S/ JULES A. MALTZ *Jules A. Maltz*	Director	February 17, 2017
/S/ GOKUL RAJARAM *Gokul Rajaram*	Director	February 17, 2017
/S/ GREG J. SANTORA *Greg J. Santora*	Director	February 17, 2017
/S/ BRIAN H. SHARPLES *Brian H. Sharples*	Director	February 17, 2017
/S/ TAMAR YEHOSHUA *Tamar Yehoshua*	Director	February 17, 2017

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of RetailMeNot, Inc.

We have audited the accompanying consolidated balance sheets of RetailMeNot, Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of RetailMeNot, Inc. and subsidiaries at December 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method for classifying deferred tax assets and liabilities and its method for classifying debt issuance costs during 2016.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), RetailMeNot, Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 17, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Austin, Texas
February 17, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of RetailMeNot, Inc.

We have audited RetailMeNot, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2016 based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). RetailMeNot, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of GiftcardZen Inc, which is included in the 2016 consolidated financial statements of RetailMeNot, Inc. and subsidiaries and constituted approximately 5% of total assets (excluding goodwill and acquired intangible assets) as of December 31, 2016 and 16% of total net revenues for the year then ended. Our audit of internal control over financial reporting of RetailMeNot, Inc. and subsidiaries also did not include an evaluation of the internal control over financial reporting of GiftcardZen Inc.

In our opinion, RetailMeNot, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of RetailMeNot, Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2016 of RetailMeNot, Inc. and subsidiaries and our report dated February 17, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Austin, Texas
February 17, 2017

RETAILMENOT, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	December 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 216,858	$ 259,769
Accounts receivable (net of allowance for doubtful accounts of $3,589 and $2,905 at December 31, 2016 and 2015, respectively)	66,424	67,504
Inventory, net	9,529	—
Prepaids and other current assets, net	10,485	9,959
Total current assets	303,296	337,232
Property and equipment, net	24,800	21,382
Intangible assets, net	55,046	61,245
Goodwill	190,882	174,725
Other assets, net	7,983	8,040
Total assets	$ 582,007	$ 602,624
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 9,372	$ 8,713
Accrued compensation and benefits	13,104	10,136
Accrued expenses and other current liabilities	5,104	7,155
Income taxes payable	7,564	5,109
Current maturities of long term debt	10,000	10,000
Total current liabilities	45,144	41,113
Deferred income tax liability	1,027	1,498
Long term debt	51,106	60,872
Other noncurrent liabilities	9,121	7,752
Total liabilities	106,398	111,235
Commitments and contingencies		
Stockholders' equity:		
Preferred stock: $0.001 par value; 10,000,000 shares authorized, zero shares issued and outstanding as of December 31, 2016 and 2015.	—	—
Series 1 common stock: $0.001 par value, 150,000,000 shares authorized; 47,855,964 and 51,091,393 shares issued and outstanding as of December 31, 2016 and 2015, respectively.	48	51
Series 2 common stock: $0.001 par value, 6,107,494 shares authorized; zero shares issued and outstanding as of December 31, 2016 and 2015.	—	—
Additional paid-in capital	480,333	495,151
Accumulated other comprehensive loss	(7,810)	(4,883)
Retained earnings	3,038	1,070
Total stockholders' equity	475,609	491,389
Total liabilities and stockholders' equity	$ 582,007	$ 602,624

See the accompanying notes, which are an integral part of these Consolidated Financial Statements.

RETAILMENOT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Year Ended December 31, 2016	2015	2014
Net revenues	$ 280,421	$ 249,115	$ 264,683
Cost of net revenues	61,511	19,904	18,617
Gross profit	218,910	229,211	246,066
Operating expenses:			
Product development	52,283	51,580	47,882
Sales and marketing	98,209	99,380	90,062
General and administrative	42,731	39,813	42,343
Amortization of purchased intangible assets	9,466	10,664	12,243
Other operating expenses	7,547	4,616	4,065
Total operating expenses	210,236	206,053	196,595
Income from operations	8,674	23,158	49,471
Other income (expense):			
Interest expense, net	(2,275)	(1,988)	(1,981)
Other income (expense), net	288	(315)	(1,102)
Income before income taxes	6,687	20,855	46,388
Provision for income taxes	(4,719)	(9,007)	(19,423)
Net income	$ 1,968	$ 11,848	$ 26,965
Net income per share:			
Basic	$ 0.04	$ 0.22	$ 0.50
Diluted	$ 0.04	$ 0.22	$ 0.49
Weighted-average number of common shares used in computing net income per share:			
Basic	48,724	53,076	53,792
Diluted	49,824	54,099	55,311

See the accompanying notes, which are an integral part of these Consolidated Financial Statements.

RETAILMENOT, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	Year Ended December 31,		
	2016	2015	2014
Net income	$ 1,968	$ 11,848	$ 26,965
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	(2,927)	(2,941)	(3,480)
Comprehensive income (loss)	$ (959)	$ 8,907	$ 23,485

See the accompanying notes, which are an integral part of these Consolidated Financial Statements.

RETAILMENOT, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share amounts)

	Series 1 Common Stock		Series 2 Common Stock		Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholder's Equity
	Number of Shares	Amount	Number of Shares	Amount				
Balance at December 31, 2013	46,569,376	$ 47	6,107,494	$ 6	$ 467,461	$ (37,743)	$ 1,538	$ 431,309
Net income	—	—	—	—	—	26,965	—	26,965
Foreign currency translation adjustment	—	—	—	—	—	—	(3,480)	(3,480)
Conversion of Series 2 common stock to Series 1 common stock	6,107,494	6	(6,107,494)	(6)	—	—	—	—
Payments of offering costs for follow-on offering	—	—	—	—	(59)	—	—	(59)
Stock issuances under employee plans, net of shares withheld for taxes	1,576,582	1	—	—	13,309	—	—	13,310
Stock-based compensation expense	—	—	—	—	24,518	—	—	24,518
Excess income tax benefit from stock-based compensation and other	—	—	—	—	12,192	—	—	12,192
Balance at December 31, 2014	54,253,452	54	—	—	517,421	(10,778)	(1,942)	504,755
Net income	—	—	—	—	—	11,848	—	11,848
Foreign currency translation adjustment	—	—	—	—	—	—	(2,941)	(2,941)
Stock issuances under employee plans, net of shares withheld for taxes	1,160,941	1	—	—	6,238	—	—	6,239
Repurchase of common stock	(4,323,000)	(4)	—	—	(52,869)	—	—	(52,873)
Stock-based compensation expense	—	—	—	—	26,894	—	—	26,894
Income tax shortfall, net of excess income tax benefit, from stock-based compensation	—	—	—	—	(2,533)	—	—	(2,533)
Balance at December 31, 2015	51,091,393	51	—	—	495,151	1,070	(4,883)	491,389
Net income	—	—	—	—	—	1,968	—	1,968
Foreign currency translation adjustment	—	—	—	—	—	—	(2,927)	(2,927)
Stock issuances under employee plans, net of shares withheld for taxes	892,582	1	—	—	(339)	—	—	(338)
Repurchase of common stock	(4,128,011)	(4)	—	—	(36,832)	—	—	(36,836)
Stock-based compensation expense	—	—	—	—	26,181	—	—	26,181
Income tax shortfall, net of excess income tax benefit, from stock-based compensation	—	—	—	—	(3,828)	—	—	(3,828)
Balance at December 31, 2016	47,855,964	$ 48	—	$ —	$ 480,333	$ 3,038	$ (7,810)	$ 475,609

See the accompanying notes, which are an integral part of these Consolidated Financial Statements.

RETAILMENOT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2016	**2015**	**2014**
Cash flows from operating activities:			
Net income	$ 1,968	$ 11,848	$ 26,965
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	18,146	17,131	15,746
Stock-based compensation expense	26,181	26,894	24,518
Deferred income tax benefit	(291)	(849)	(4,169)
Excess income tax benefit from stock-based compensation and other	(160)	(1,374)	(12,192)
Non-cash interest expense	440	407	603
Impairment of assets	1,620	2,340	—
Amortization of deferred compensation	5,944	2,297	3,978
Other non-cash (gains) losses, net	(1,355)	223	1,011
Provision for doubtful accounts receivable	1,344	783	3,319
Changes in operating assets and liabilities:			
Accounts receivable, net	(1,761)	161	(14,540)
Inventory, net	(8,796)	—	—
Prepaid expenses and other current assets, net	(1,104)	(1,123)	(2,904)
Accounts payable	667	4,035	857
Accrued expenses and other current liabilities	(3,242)	(3,222)	15,757
Other noncurrent assets and liabilities	(712)	938	2,446
Net cash provided by operating activities	38,889	60,489	61,395
Cash flows from investing activities:			
Payments for acquisition of businesses, net of acquired cash	(20,729)	—	(75)
Purchase of property and equipment	(12,192)	(10,903)	(9,498)
Purchase of other assets	(44)	(4,337)	(3,476)
Purchase of non-marketable investment	—	(4,000)	—
Proceeds from sale of property and equipment	30	23	—
Net cash used in investing activities	(32,935)	(19,217)	(13,049)
Cash flows from financing activities:			
Payments of offering costs for follow-on offering	—	—	(59)
Proceeds from notes payable, net of issuance costs	—	29,950	49,150
Payments on notes payable	(10,000)	(7,500)	(41,273)
Proceeds from issuance of common stock, net of tax payments related to net share settlement of equity awards	(1,899)	4,166	11,454
Excess income tax benefit from stock-based compensation and other	160	1,374	12,192
Payments for repurchase of common stock	(36,209)	(52,873)	(7)
Payments of principal on capital lease arrangements	(67)	(7)	(13)
Net cash provided by (used in) financing activities	(48,015)	(24,890)	31,444
Effect of foreign currency exchange rate on cash	(850)	(1,095)	(1,189)
Change in cash and cash equivalents	(42,911)	15,287	78,601
Cash and cash equivalents, beginning of year	259,769	244,482	165,881
Cash and cash equivalents, end of year	$ 216,858	$ 259,769	$ 244,482
Supplemental disclosure of cash flow information			
Interest payments	$ 2,428	$ 1,643	$ 2,246
Income tax payments, net of refunds	$ 5,873	$ 12,304	$ 10,169

See the accompanying notes, which are an integral part of these Consolidated Financial Statements.

1. Description of Business

We operate a leading savings destination, both online and in-store. We operate under the RetailMeNot brand in the U.S. and portions of the European Union, VoucherCodes in the U.K. and Poulpeo and Ma-Reduc in France. We also operate our discounted gift card marketplace under the RetailMeNot and GiftcardZen brands in the U.S. Our websites, mobile applications, email newsletters and alerts and social media presence enable consumers to search for, discover and redeem relevant digital offers, including discounted digital and physical gift cards, from merchants, including retailers, restaurants and brands. Our marketplace features digital offers across multiple product categories, including clothing and shoes; electronics; health and beauty; home and office; travel, food and entertainment; and personal and business services. We believe our investments in digital offer content quality, product innovation and direct paid merchant relationships allow us to offer a compelling experience to consumers looking to save money, whether online or in-store.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The consolidated financial statements include the accounts of the Company and our wholly owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. All intercompany transactions and balances have been eliminated.

Significant Estimates and Judgments

The preparation of our consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of net revenues and expenses during the reporting periods. These estimates and assumptions could have a material effect on our future results of operations and financial position. Significant items subject to our estimates and assumptions include stock-based compensation, income taxes, valuation of acquired goodwill and intangible assets, allowance for doubtful accounts, revenue returns reserve, the best estimate of selling prices associated with our multiple element revenue arrangements, unrecognized tax benefits, acquisition-related contingent liabilities, the useful lives of property and equipment and intangible assets, deferred compensation arrangements and the fair value of derivative assets and liabilities. As a result, actual amounts could differ from those presented herein.

Business Segment

To align with a change in how our chief operating decision maker evaluates business performance, we added Gift Card as a separate reportable segment during the second quarter of 2016. The change in segment evaluation was made concurrent with the purchase of GiftCardZen Inc, a secondary marketplace for gift cards, on April 5, 2016. As a result, we now have two operating and reporting segments. Our Gift Card segment consists of our marketplace for gift cards, and our Core segment consists of all other products and services that are related to our marketplace for digital offers. Our chief operating decision maker, or CODM, is our Chief Executive Officer, or CEO. Our CEO allocates resources and assesses performance of the business and other activities at the reportable segment level.

Cash and Cash Equivalents

All highly-liquid investments with an original maturity of three months or less at the date of purchase are considered to be cash equivalents.

Accounts Receivable, Net

Accounts receivable, net primarily represents amounts due from paid merchants, generally through various performance marketing networks, for commissions earned on consumer purchases and amounts due for advertising. We record an allowance for doubtful accounts in an amount equal to the estimated probable losses net of recoveries, which are based on an analysis of historical bad debt, current receivables aging and expected future write-offs of uncollectible accounts, as well as an assessment of specific identifiable accounts considered at risk or uncollectible. Accounts receivable are written off against the allowance for doubtful accounts when it is determined that the receivable is uncollectible.

The following table summarizes our allowance for doubtful accounts (in thousands):

	Beginning Balance	Additions Charged to Expense	Write-offs	Ending Balance
Allowance for doubtful accounts:				
Year ended December 31, 2014	$ 867	3,319	(1,830)	$ 2,356
Year ended December 31, 2015	2,356	783	(234)	2,905
Year ended December 31, 2016	2,905	1,344	(660)	3,589

Inventory, Net

Inventory, net consists of the costs to acquire gift cards from consumers and businesses for listing on our secondary marketplace, and is valued using the specific identification method, net of reserves for slow moving inventory and inventory shrinkage due to book-to-physical adjustments.

Property and Equipment, Net

Property and equipment, net includes assets such as furniture and fixtures, leasehold improvements, computer hardware, office and telephone equipment and certain capitalized internally developed software and website development costs. We record property and equipment at cost less accumulated depreciation and amortization, using the straight-line method. Ordinary maintenance and repairs are charged to expense, while expenditures that extend the physical or economic life of the assets are capitalized. Property and equipment are depreciated over their estimated economic lives, which range from three to ten years, using the straight-line method. Leasehold improvements are amortized over the shorter of the estimated useful lives of the improvements or the lease term. We perform reviews for the impairment of property and equipment when management believes events or circumstances indicate the carrying amount of an asset may not be recoverable.

Capitalized Internally Developed Software and Website Development Costs

We incur costs related to software and website development, including purchased software and internally developed software. We expense costs incurred in the planning and evaluation stage of internally developed software and website development as incurred. We capitalize costs to develop software when preliminary development efforts are successfully completed, management has authorized and committed project funding, and it is probable that the project will be completed and the software will be used as intended. We cease capitalizing and begin depreciating costs when the project is substantially complete and/or the software is ready for internal use. Capitalized internally developed software and website development costs are included within property and equipment, net in our consolidated balance sheets and depreciated over their estimated useful lives, which range from two to three years.

Goodwill and Other Intangible Assets

Goodwill arises from business combinations and is measured as the excess of the cost of the business acquired over the sum of the acquisition-date fair values of tangible and identifiable intangible assets acquired, less any liabilities assumed.

We evaluate goodwill for impairment annually on October 1, during the fourth quarter of each year, or more frequently when an event occurs or circumstances change that indicates the carrying value may not be recoverable. Events or circumstances that could trigger an impairment test include, but are not limited to, a significant adverse change in the business climate or in legal factors, an adverse action or assessment by a regulator, a loss of key personnel, significant changes in our use of the acquired assets or the strategy for our overall business, significant negative industry or economic trends, significant underperformance relative to operating performance indicators, a significant decline in market capitalization and significant changes in competition.

We evaluate the recoverability of goodwill using a two-step impairment process tested at the reporting unit level. In the first step, the fair value for the reporting unit is compared to our book value including goodwill. If the fair value is less than the book value, a second step is performed that compares the implied fair value of goodwill to the book value of the goodwill. The fair value for the implied goodwill is determined based on the difference between the fair value of the sole reporting segment and the net fair value of the identifiable assets and liabilities excluding goodwill. If the implied fair value of the goodwill is less than the book value, the difference is recognized as an impairment charge in the consolidated statements of operations. We did not record any goodwill impairment charges during the years ended December 31, 2016, 2015 and 2014.

Identifiable intangible assets consist of acquired customer intangible assets, marketing-related intangible assets, contract-based intangible assets, and technology-based intangible assets. Intangible assets with definite lives are amortized over their estimated useful lives on a straight-line basis. See Note 4, "Goodwill and Other Intangible Assets". The method of amortization applied represents our best estimate of the distribution of the economic value of the identifiable intangible assets. The factors we consider in determining the useful lives of identifiable intangible assets included the extent to which expected future cash flows would be affected by our intent and ability to retain use of these assets.

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of intangible assets may not be recoverable. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or any other significant adverse change that would indicate that the carrying amount of an asset or group of assets may not be recoverable. When such events occur, we compare the carrying amounts of the assets to their undiscounted cash flows. If this comparison indicates that there is impairment, the amount of the impairment is calculated as the difference between the carrying value and the fair value.

Debt Issuance Costs

We capitalize underwriting, legal and other direct costs incurred related to the issuance of debt, which are recorded as a direct deduction from the carrying amount of the related debt liability and amortized to interest expense over the term of the related debt using the effective interest method. Upon the extinguishment of the related debt, any unamortized capitalized deferred financing costs are recorded to interest expense.

Lease Obligations

We categorize leases at their inception as either operating or capital leases, and may receive renewal or expansion options, rent holidays, leasehold improvement allowances and other incentives on certain lease agreements. We recognize operating lease costs on a straight-line basis over the term of the agreement, taking into account adjustments for market provisions, such as free or escalating base monthly rental payments, or deferred payment terms, such as rent holidays, that defer the commencement date of required payments. We record rent expense associated with operating lease obligations in general and administrative expenses in the consolidated statements of operations.

Revenue Recognition

With respect to our Core segment, which consists of our marketplace for digital offers (excluding gift cards), we recognize revenue when persuasive evidence of an arrangement exists, services have been rendered, the fee to the paid merchant, defined as a merchant with which we have a contract, is fixed or determinable and collectability of the resulting receivable is reasonably assured. For commission revenues, which represent the substantial majority of our Core segment net revenues, revenue recognition generally occurs when a consumer, having visited one of our websites and clicked on a digital offer for a paid merchant makes a purchase with such paid merchant, and completion of the order is reported to us by such paid merchant, either directly or through a performance marketing network. The reporting by the paid merchant includes the amount of commissions the paid merchant has calculated as owing to us. Certain paid merchants do not provide reporting until a commission payment is made. In those cases, which have historically not been significant, we record commission revenues on a cash basis. For advertising revenues, revenue recognition occurs when we display a paid merchant's advertisements on our websites or mobile applications. Rates for advertising are typically negotiated with individual paid merchants. Payments for advertising may be made directly by paid merchants or through performance marketing networks.

We also generate revenues in our Gift Card segment, the substantial majority of which are derived from the sale of previously owned gift cards and the remainder of which are derived from the sale of gift cards obtained from merchants. We generally purchase gift cards at a discount to face value and resell them to consumers and businesses through our online marketplace at a markup to our cost, while still at a discount to face value. For gift card revenues, revenue recognition occurs when the cards are sent to the purchaser.

Multiple Element Arrangements. When we enter into revenue arrangements with certain paid merchants that are comprised of multiple deliverables, inclusive of the promotion of digital offers and advertising, we allocate consideration to all deliverables based on the relative selling price method in accordance with the selling price hierarchy. The objective of the hierarchy is to determine the price at which we would transact a sale if the service were sold on a stand-alone basis and requires the use of: (1) vendor-specific objective evidence, or VSOE, if available; (2) third-party evidence, or TPE, if VSOE is not available; and (3) a best estimate of the selling price, or BESP, if neither VSOE nor TPE is available.

VSOE. We determine VSOE based on our historical pricing and discounting practices for the specific service when sold separately. In determining VSOE, we require that a substantial majority of the stand-alone selling prices for these services fall within a reasonably narrow pricing range. We have not historically sold our services within a reasonably narrow pricing range. As a result, we have not been able to establish VSOE.

TPE. When VSOE cannot be established for deliverables in multiple element arrangements, we apply judgment with respect to whether we can establish a selling price based on TPE. TPE is determined based on competitor prices for similar deliverables when sold separately. Generally, our go-to-market strategy differs from that of our peers and our offerings contain a significant level of differentiation such that the comparable pricing of services cannot be obtained. Furthermore, we are unable to reliably determine what similar competitor services' selling prices are on a stand-alone basis. As a result, we have not been able to establish selling price based on TPE.

BESP. When we are unable to establish selling price using VSOE or TPE, we use BESP in our allocation of arrangement consideration. The objective of BESP is to determine the price at which we would transact a sale if the service were sold on a stand-alone basis. BESP is generally used to allocate the selling price to deliverables in our multiple element arrangements. We determine BESP for deliverables by considering multiple factors including, but not limited to, prices we charge for similar offerings, market conditions, competitive landscape and pricing practices. We limit the amount of allocable arrangement consideration to amounts that are fixed or determinable and that are not contingent on future performance or future deliverables.

If the facts and circumstances underlying the factors we considered change or should future facts and circumstances lead us to consider additional factors, both our determination of our relative selling price under the hierarchy and our BESPs could change in future periods.

We estimate and record a reserve for commission revenues based upon actual, historical return rates as reported to us by paid merchants to provide for end-user cancellations or product returns, which may not be reported by the paid merchant or performance marketing network until a subsequent date. As such, we report commission revenues net of the estimated returns reserve. Net revenues are reported net of sales taxes, where applicable. The following table summarizes our revenue returns reserve (in thousands):

	Beginning Balance	Provision for Returns	Returns	Ending Balance
Revenue returns reserve:				
Year ended December 31, 2014	$ 3,822	$ 14,566	$ (15,168)	$ 3,220
Year ended December 31, 2015	3,220	14,144	(14,155)	3,209
Year ended December 31, 2016	3,209	12,542	(12,560)	3,191

Our payment arrangements with paid merchants are both direct and through performance marketing networks, which act as intermediaries between the paid merchants and us. No paid merchant individually accounted for more than 10% of net revenues or accounts receivable for any of the years ended December 31, 2016, 2015 and 2014.

Cost of Net Revenues

Cost of net revenues is composed of direct and indirect costs incurred to generate revenue. For our Gift Card segment, these costs consist of the costs to acquire gift cards, including shipping costs. For our Core segment, these costs consist primarily of the personnel costs of our salaried operations and technology support employees and fees paid to third-party contractors engaged in the operation and maintenance of our existing websites and mobile applications. Such technology costs also include website hosting and Internet service costs. Other costs include allocated facility and general information technology costs.

Sales and Marketing Expense

Our sales and marketing expense consists primarily of personnel costs for our sales, marketing, search engine optimization, search engine marketing and business analytics employees, as well as online, brand and other marketing expenses. Our online, brand and other marketing costs include search engine fees, advertising on social networks, television and radio advertising, promotions, display advertisements, creative development fees, public relations, email campaigns, trade shows and other general marketing costs. Other costs include allocated facility and general information technology costs.

Advertising Expenses

We expense all advertising costs as incurred. Advertising expenses included in sales and marketing expense were $25.9 million, $23.4 million and $23.1 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Product Development

Our product development expense consists primarily of personnel costs of our product management and software engineering teams, as well as fees paid to third-party contractors and consultants engaged in the design, development, testing and improvement of the functionality, offer content and user experience of our websites and mobile applications.

General and Administrative Expense

Our general and administrative expense represents personnel costs for employees involved in general corporate functions, including executive, finance, accounting, legal and human resources, among others. Additional costs included in general and administrative expense include professional fees for legal, audit and other consulting services, the provision for doubtful accounts receivable, travel and entertainment, charitable contributions, recruiting, allocated facility and general information technology costs and other general corporate overhead expenses.

Stock-Based Compensation Expense

Stock-based compensation expense is measured at the grant date based on the estimated fair value of the award, net of estimated forfeitures. We recognize these compensation costs on a straight-line basis over the requisite service period of the award. Forfeiture rates are estimated at grant date based on historical experience and adjusted in subsequent periods for differences in actual forfeitures from those estimates. We include stock-based compensation expense in cost of net revenues and operating expenses in our consolidated statements of operations, consistent with the respective employees' cash compensation. We determine the fair value of stock options on the grant date using the Black-Scholes-Merton valuation model or a Monte Carlo simulation model for performance stock options granted to certain executives in 2016.

Fair Value of Financial Instruments

The carrying amounts of our financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and notes payable, approximate fair value due to the instruments' short-term maturities or, in the case of the long-term notes payable, based on the variable interest rate feature. We record derivative assets and liabilities at fair value.

Income Taxes

The provision for income taxes is determined using the asset and liability method. Deferred tax assets and liabilities are calculated based upon the temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using the enacted tax rates that are applicable in a given year. The deferred tax assets are recorded net of a valuation allowance when, based on the available supporting evidence, we believe it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods.

The Company may be subject to income tax audits by the respective tax authorities in any or all of the jurisdictions in which the Company operates or has operated within a relevant period, including the United States, the United Kingdom, France, Germany, and the Netherlands. Significant judgment is required in determining uncertain tax positions. We utilize a two-step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes. We adjust these reserves in light of changing facts and circumstances, such as the closing of an audit or the refinement of an estimate. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. We include interest and penalties related to uncertain tax positions in the provision for income taxes in our consolidated statements of operations.

Foreign Currency

Our operations outside of the U.S. generally use the local currency as their functional currency. Assets and liabilities for these operations are translated at exchange rates in effect at the balance sheet date. Income and expense accounts are translated

at average exchange rates for the period. Foreign currency translation adjustments are recorded in accumulated other comprehensive income (loss) in our consolidated statements of comprehensive income. Gains and losses from foreign currency denominated transactions, which were a $0.3 million gain, net, in 2016, a $0.4 million loss, net, in 2015 and a $0.9 million loss, net, in 2014, are recorded in other income (expense), net in our consolidated statements of operations.

Non-Marketable Investments and Other-Than-Temporary Impairment

During 2015, we invested $4.0 million in a non-controlling minority ownership stake in a privately-held marketing technology company in the United States. The minority interest is included at cost in other assets, net, in our consolidated balance sheets. We own less than 5% of the voting equity of the investee.

We regularly evaluate the carrying value of our cost-method investment for impairment and whether any events or circumstances are identified that would significantly harm the fair value of the investment. The primary indicators we utilize to identify these events and circumstances are the investee's ability to remain in business, such as the investee's liquidity and rate of cash use, and the investee's ability to secure additional funding and the value of that additional funding. In the event a decline in fair value is judged to be other-than-temporary, we will record an other-than-temporary impairment charge in other operating expenses, net in our consolidated statements of operations. As the inputs utilized for our periodic impairment assessment are not based on observable market data, potential impairment charges related to our cost-method investment would be classified within Level 3 of the fair value hierarchy. To determine the fair value of this investment, we use all available financial information related to the entity, including information based on recent or pending third-party equity investments in the entity. In certain instances, a cost-method investment's fair value is not estimated as there are no identified events or changes in the circumstances that may have a significant adverse effect on the fair value of the investment and to do so would be impractical. We did not record any cost-method investment impairment charges during the years ended December 31, 2016, 2015 and 2014.

Derivative Financial Instruments

Our operations outside of the U.S. expose us to various market risks that may affect our consolidated results of operations, cash flows and financial position. These market risks include, but are not limited to, fluctuations in currency exchange rates. Our primary foreign currency exposures are in Euros and British Pound Sterling. As a result, we face exposure to adverse movements in currency exchange rates as the financial results of our operations are translated from local currency into U.S. dollars upon consolidation.

We have entered into derivative instruments to hedge certain exposures to foreign currency risk on non-functional currency denominated intercompany loans and the re-measurement of certain assets and liabilities denominated in non-functional currencies in our foreign subsidiaries. We may enter into further such instruments in the future. We have not elected to apply hedge accounting or hedge accounting does not apply. Gains and losses resulting from a change in fair value for these derivatives are reflected in the period in which the change occurs and are recorded in other income (expense), net in our consolidated statement of operations. During the years ended December 31, 2016, 2015, and 2014 we recorded gains of $0.5 million, $0.8 million and $0.2 million, respectively, related to our foreign exchange derivative instruments. We did not have any foreign exchange derivative instruments outstanding as of December 31, 2016. The fair value and notional principal amount of our outstanding foreign exchange derivative instrument as of December 31, 2015 were $0.0 million and $6.3 million, respectively.

We do not use financial instruments for trading or speculative purposes. Derivative instruments are recorded on the balance sheet at fair value and are short-term in duration. We are exposed to the risk that counterparties to derivative contracts may fail to meet their contractual obligations.

Recent Accounting Pronouncements

Recent Accounting Pronouncements - Recently Adopted

In April 2015, the Financial Accounting Standards Board, or FASB, issued new guidance clarifying whether a customer should account for a cloud computing arrangement as an acquisition of a software license or as a service arrangement by providing characteristics that a cloud computing arrangement must have in order to be accounted for as a software license acquisition. The guidance allows either retrospective or prospective application and is effective for fiscal years beginning after December 15, 2015. The adoption of this guidance in the first quarter of 2016 did not have a material impact on our consolidated financial statements.

In April 2015, the FASB issued new guidance that amends the balance sheet presentation of debt issuance costs. The guidance requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. The guidance requires retrospective application and is effective for fiscal years beginning after December 15, 2015. The adoption of this guidance in the first quarter of 2016 resulted in a reclassification of $1.6 million of debt issuance costs associated with our long-term debt as of December 31, 2015 from other assets, net to long term debt in our consolidated financial statements.

In November 2015, the FASB issued new guidance that amends the balance sheet presentation for deferred tax assets and liabilities. The guidance requires that all deferred tax assets and liabilities, and any related valuation allowance, be classified as noncurrent on the balance sheet. The guidance allows either retrospective or prospective application and is effective for fiscal years beginning after December 15, 2016. The early adoption of this guidance in the first quarter of 2016, using retrospective application, resulted in a reclassification as of December 31, 2015 that consisted of a $3.9 million decrease in current deferred tax assets, included within prepaids and other current assets, net, a $0.9 million increase in noncurrent deferred tax assets, included within other assets, net, and a $3.0 million decrease in deferred tax liability—noncurrent.

Recent Accounting Pronouncements - To Be Adopted

In May 2014, the FASB issued new guidance that superseded previously existing revenue recognition requirements. The guidance provides a five-step process to recognize revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration expected in exchange for those goods and services. The guidance requires disclosures enabling users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. On July 9, 2015, the FASB deferred the effective date by one year to December 15, 2017 for the first interim period within annual reporting periods beginning after that date, using either a full or modified retrospective application method. Early adoption of the standard is permitted, but not before the first interim period within annual reporting periods beginning after the original effective date of December 15, 2016. We have made progress toward completing our evaluation of the impact that potential changes from adopting the new standard will have on our net revenues and our consolidated financial statements. We expect to have our preliminary evaluation, including the selection of an adoption method, completed by the end of the first half of 2017.

In February 2016, the FASB issued new guidance that amends the existing accounting standards for lease accounting. The guidance requires lessees to recognize assets and liabilities on their balance sheets for all leases with terms of more than twelve months. Additionally, the guidance requires new qualitative and quantitative disclosures about leasing activities. The guidance requires a modified retrospective application approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The guidance is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. We are currently evaluating the effect that the adoption of this guidance will have on our consolidated financial statements.

In March 2016, the FASB issued new guidance that amends several aspects of the existing accounting standards for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification of related amounts within the statement of cash flows. The guidance is effective for fiscal years beginning after December 15, 2016, using prospective and retrospective application methods. Early adoption is permitted. We will adopt this guidance effective January 1, 2017. Under this ASU, entities are permitted to make an accounting policy election to either estimate forfeitures on share-based payment awards, as previously required, or to recognize forfeitures as they occur. We will elect to continue to estimate forfeitures. Additionally, this ASU requires that all income tax effects related to settlements of share-based payment awards be reported in earnings as an increase or decrease to income tax expense (benefit), net. Previously, income tax benefits at settlement of an award were reported as an increase (or decrease) to additional paid-in capital to the extent that those benefits were greater than (or less than) the income tax benefits reported in earnings during the award's vesting period. We will adopt this guidance prospectively. This ASU also requires that all income tax-related cash flows resulting from share-based payments be reported as operating activities in the statement of cash flows. Previously, income tax benefits at settlement of an award were reported as a reduction to operating cash flows and an increase to financing cash flows to the extent that those benefits exceeded the income tax benefits reported in earnings during the award's vesting period. We are electing to adopt this retrospectively. If this aspect of the guidance had been in effect for each of the periods presented, our operating cash flows for 2016, 2015 and 2014 would have increased by $0.2 million, $1.4 million and $12.2 million, respectively. We do not expect the remaining provisions of this ASU to have a material impact on our consolidated financial statements.

In June 2016, the FASB issued new guidance that modifies the method of accounting for expected credit losses on certain financial instruments, including trade and other receivables, which generally will result in the earlier recognition of allowances for losses. The guidance is effective for fiscal years beginning after December 15, 2019, using a modified retrospective application method through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. Early adoption is permitted for fiscal years beginning after December 15, 2018. We are currently evaluating the effect that the adoption of this guidance will have on our consolidated financial statements.

In August 2016, the FASB issued new guidance that clarifies how certain cash receipts and payments are to be presented in the statement of cash flows. The guidance is effective for fiscal years beginning after December 15, 2017, using a retrospective application method. Early adoption is permitted. We are currently evaluating the effect that the adoption of this guidance will have on our consolidated financial statements.

In October 2016, the FASB issued new guidance that requires immediate recognition of the income tax consequences of intercompany asset transfers other than inventory. The guidance is effective for fiscal years beginning after December 15, 2017, using a modified retrospective application method through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. Early adoption is permitted. We are currently evaluating the effect that the adoption of this guidance will have on our consolidated financial statements.

In January 2017, the FASB issued new guidance that clarifies the definition of a business for determining whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The guidance is effective for fiscal years beginning after December 15, 2017, using the prospective method. We are currently evaluating the effect that the adoption of this guidance will have on our consolidated financial statements.

In January 2017, the FASB issued new guidance simplifying subsequent goodwill measurement by eliminating Step 2 from the goodwill impairment test. The guidance requires that entities record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The guidance is effective for fiscal years beginning after December 15, 2019, using the prospective method. Early adoption is permitted. We are currently evaluating the effect that the adoption of this guidance will have on our consolidated financial statements.

3. Acquisitions

On April 5, 2016, we acquired GiftcardZen Inc, a private company and the operator of giftcardzen.com, a secondary marketplace for gift cards, for $21.2 million of cash consideration.

The following table summarizes the preliminary allocation of the purchase price of GiftcardZen Inc, with amounts shown below at fair value at the acquisition date (in thousands):

Cash acquired	$	500
Inventory acquired		675
Other tangible assets acquired		48
Identifiable intangible assets:		
Customer relationships		48
Marketing-related		1,064
Contract-based		1,978
Technology-based		1,077
Goodwill		16,838
Total assets acquired		22,228
Total liabilities assumed		(999)
Total	$	21,229

Goodwill represents the excess of the purchase price over the aggregate fair value of the net tangible and identifiable intangible assets acquired and represents the expected synergies of the transaction and the knowledge and experience of the workforce in place. The goodwill from the acquisition is not deductible for tax purposes. The acquired customer relationships intangible assets have an estimated useful life of 6 years from the date of acquisition, the acquired marketing-related intangible assets have an estimated useful life of 2 years from the date of acquisition, the acquired contract-based intangible assets have estimated useful lives that range from 3 years to 5 years from the date of acquisition and the acquired technology-based

intangible assets have an estimated useful life of 1 year from the date of acquisition. The total weighted average amortization period for the intangibles acquired is 2.6 years.

The preliminary allocation is based on estimates, assumptions, and valuations that have not progressed to a stage where there is sufficient information to make a definitive allocation. Accordingly, the allocation will remain preliminary until we have all information to finalize the allocation of the purchase price. In connection with the acquisition, we incurred approximately $0.7 million in direct acquisition costs. These costs were expensed as incurred within general and administrative expense in our consolidated statement of operations.

The results of GiftcardZen Inc have been included in our consolidated results since the acquisition date of April 5, 2016. The following table presents the results of RetailMeNot and GiftcardZen Inc for the years ended December 31, 2016 and 2015 on a pro forma basis, as though the companies had been combined as of the beginning of January 1, 2016 and 2015. The pro forma financial information is unaudited and presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of January 1, 2016 and 2015 or of results that may occur in the future (in thousands):

	Year Ended December 31,	
	2016	2015
	(unaudited)	
Pro forma net revenues	$ 293,731	$ 293,838
Pro forma net income	7,225	3,501

In conjunction with the acquisition of GiftcardZen Inc, we entered into deferred compensation arrangements with a key employee of GiftcardZen Inc as well as certain other employees. These arrangements have a total value of up to $12.0 million, to be paid at dates between 10 and 24 months following the acquisition, contingent upon the achievement of specific performance targets and those employees' continued employment with RetailMeNot. As of December 31, 2016, we expect that the total value of the arrangements will be approximately $9.0 million.

During 2016, we have recognized $5.9 million of expense associated with these arrangements within other operating expenses in our consolidated statement of operations. We are accreting a liability concurrent with expense recognition assuming the employees' continued employment with RetailMeNot. As of December 31, 2016, we have recognized $4.5 million in accrued compensation and benefits and $1.4 million in other noncurrent liabilities in our consolidated balance sheets.

4. Goodwill and Other Intangible Assets

During 2016, we preliminarily recognized $16.8 million of goodwill generated by our acquisition of GiftcardZen Inc. The recognized goodwill represents the excess of the purchase price over the fair value of the underlying net tangible and identifiable intangible assets. We have allocated the goodwill from our GiftcardZen Inc acquisition to our Gift Card segment, which was added as a separate reportable segment during the second quarter of 2016. See Note 15, "Segment Reporting," for a description of our segments.

Changes in our goodwill balance for the years ended December 31, 2016 and 2015 are summarized in the table below (in thousands).

	Core	Gift Card	Total
Balance at December 31, 2014	$ 176,927	$ —	$ 176,927
Acquired in business combinations	—	—	—
Foreign currency translation adjustment	(2,202)	—	(2,202)
Balance at December 31, 2015	174,725	—	174,725
Acquired in business combinations	—	16,838	16,838
Foreign currency translation adjustment	(681)	—	(681)
Balance at December 31, 2016	$ 174,044	$ 16,838	$ 190,882

Intangible assets consisted of the following as of December 31, 2016 and 2015 (in thousands):

	Weighted-Average Amortization Period (Months)	Estimated Useful Life (Months)	Balance at December 31, 2016			
			Gross	Accumulated Amortization	Impairment Expense	Net
Customer relationships	180	72-180	$ 15,821	$ (6,496)	$ (153)	$ 9,172
Marketing-related	152	24-180	79,336	(35,270)	(633)	43,433
Contract-based	57	12-60	21,688	(19,513)	—	2,175
Technology-based	12	12	8,666	(8,400)	—	266
Total intangible assets			$ 125,511	$ (69,679)	$ (786)	$ 55,046

	Weighted-Average Amortization Period (Months)	Estimated Useful Life (Months)	Balance at December 31, 2015			
			Gross	Accumulated Amortization	Impairment Expense	Net
Customer relationships	180	180	$ 16,082	$ (5,496)	$ (243)	$ 10,343
Marketing-related	154	48-180	80,745	(28,755)	(2,068)	49,922
Contract-based	58	12-60	19,755	(18,746)	(29)	980
Technology-based	12	12	7,643	(7,643)	—	—
Total intangible assets			$ 124,225	$ (60,640)	$ (2,340)	$ 61,245

In December 2016, we decided to no longer support Actiepagina.nl. As a result, we determined that an impairment of unamortized intangible assets associated with Actiepagina.nl was warranted, resulting in an impairment charge of $0.8 million, which is included in other operating expenses.

In October 2015, we decided to no longer support the Bons-de-Reduction.com brand. We redirected traffic from Bons-de-Reduction.com to Poulpeo.com, and do not expect Bons-de-Reduction.com to provide additional income. As a result, we determined that a complete impairment of the remaining unamortized intangible assets associated with Bons-de-Reduction was warranted, resulting in an impairment charge of $2.3 million, which is included in other operating expenses. We did not record any intangible asset impairment charges during the year ended December 31, 2014.

As of December 31, 2016 and 2015, the weighted-average amortization period for definite-lived intangible assets was 10.8 and 11.1 years, respectively. Estimated amortization of intangible assets for the five years subsequent to December 31, 2016 and thereafter is as follows (in thousands):

Year Ended December 31,	
2017	$ 9,088
2018	8,212
2019	6,922
2020	5,359
2021	4,955
Thereafter	20,510
	$ 55,046

5. Property and Equipment, Net

Property and equipment consisted of the following as of December 31, 2016 and 2015 (in thousands):

	Estimated Useful Life (Years)	December 31, 2016	December 31, 2015
Computer hardware	3	$ 3,516	$ 3,078
Purchased software	3	2,979	2,923
Office equipment	3	955	620
Internally developed software and website development costs	2-3	17,032	9,471
Office furniture and fixtures	5	5,376	5,149
Leasehold improvements	10	15,464	12,873
Gross property and equipment		45,322	34,114
Less: Accumulated amortization and depreciation		(20,522)	(12,732)
Net property and equipment		$ 24,800	$ 21,382

Depreciation and amortization expense related to property and equipment was $8.7 million, $6.5 million and $3.5 million for the years ended December 31, 2016, 2015 and 2014, respectively. These amounts includes $4.0 million, $1.8 million and $0.1 million of depreciation expense on internally developed software and website development costs for the years ended December 31, 2016, 2015 and 2014, respectively. Included within internally developed software and website development costs capitalized during the years ended December 31, 2016, 2015 and 2014 is $1.7 million, $1.1 million and $0.4 million, respectively, of capitalized stock-based compensation expense.

During 2016, we noted circumstances that indicated the carrying amount of internally developed software and website development costs related to certain projects might not be recoverable. As a result, we performed a review for impairment of the costs associated with these projects, and have recognized $0.8 million of impairment expense within other operating expenses in our consolidated statement of operations during 2016. We recorded no impairment of property and equipment during the years ended December 31, 2015 and 2014. We recorded no significant gains or losses on the disposal of property and equipment during the years ended December 31, 2016, 2015 and 2014.

6. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following as of December 31, 2016 and 2015 (in thousands):

	December 31, 2016	December 31, 2015
Marketing and professional services	$ 1,634	$ 3,576
Taxes other than income taxes	1,130	1,576
Interest payable	413	416
Other	1,927	1,587
	$ 5,104	$ 7,155

7. Long Term Debt

Long-term debt consisted of the following as of December 31, 2016 and 2015 (in thousands):

	December 31, 2016	December 31, 2015
Senior secured note due 2019—average interest rate of 2.9% and 2.1% for the years ended December 31, 2016 and 2015, respectively.	$ 32,500	$ 42,500
Senior revolving credit facility due 2019—average interest rate of 2.4% and 1.6% for the years ended December 31, 2016 and 2015, respectively.	30,000	30,000
Less unamortized debt issuance costs	(1,394)	(1,628)
	61,106	70,872
Less current maturities	(10,000)	(10,000)
Total long-term debt	$ 51,106	$ 60,872

Senior Debt

On December 23, 2014, we entered into a second amended and restated revolving credit and term loan agreement with certain lenders, or Senior Debt. The Senior Debt consists of a $125.0 million revolving credit facility, an additional uncommitted revolving credit facility of up to $65.0 million and a $50.0 million term loan facility. On December 31, 2016, we had $93.0 million available for borrowings under the revolving credit facility.

We pay a quarterly revolving credit facility fee of 50 basis points per annum. At our option, borrowings under both the term loan facility and the revolving credit facility bear interest at either the base rate or a eurodollar-based rate (each as more fully described in the second amended and restated revolving credit and term loan agreement) plus an applicable margin as determined based on the senior secured debt to EBITDA ratio (as more fully described in the second amended and restated revolving credit and term loan agreement). These rates are summarized in the following table:

Basis for Pricing	Level I	Level II	Level III	Level IV
Consolidated Senior Secured Debt/EBITDA	<1.00:1.00	>1.00:1.00 <1.50:1.00	>1.50:1.00 <2.00:1.00	>2.00:1.00
Revolving Credit Eurodollar Margin (LIBOR)	125 basis points	175 basis points	225 basis points	275 basis points
Revolving Credit Base Rate Margin	25 basis points	75 basis points	125 basis points	175 basis points
Letter of Credit Fees (exclusive of facing fees)	125 basis points	175 basis points	225 basis points	275 basis points
Term Loan Eurodollar Margin (LIBOR)	175 basis points	225 basis points	275 basis points	325 basis points
Term Loan Base Rate Margin	75 basis points	125 basis points	175 basis points	225 basis points

Interest is payable quarterly in arrears for base rate borrowings and on the last day of the applicable eurodollar-interest period for any eurodollar-based borrowings. Principal payments on the term loan facility of $2.5 million are due on the first day of each quarter beginning April 1, 2015, with any remaining balance due in December 2019. Borrowings under the revolving credit facility carry the same maturity date as the $50.0 million term loan. Mandatory prepayments include net cash proceeds from certain asset sales, 100% of the net cash proceeds of any subordinated debt and 50% of the net cash proceeds of certain equity transactions, excluding the cash proceeds from any permitted senior unsecured debt, any equity interests issued under certain stock option or employer incentive plans, and any other equity interests issued if consolidated senior secured debt to EBITDA is less than or equal to 2.00 to 1.00.

The Senior Debt has priority in repayment to all other outstanding debt except certain senior secured notes that we are permitted to issue in the future. We have granted our lenders a security interest in substantially all of our assets, including intellectual property, pursuant to a security agreement and an intellectual property security agreement, except that the security interest shall apply only after the total debt to EBITDA ratio is greater than or equal to 1.50 to 1.00. We are subject to complying with certain financial covenants, including minimum trailing 12 month EBITDA levels, total debt to EBITDA ratio, a fixed charge coverage ratio and a consolidated senior secured debt to EBITDA ratio (each as more fully described in the second amended and restated revolving credit and term loan agreement). The second amended and restated revolving credit and term loan agreement contains customary affirmative and negative covenants and prohibits, among other things and subject to certain exceptions, the incurrence of additional debt, payment of other debt obligations, incurrence of liens, acquisitions of businesses, capital expenditures, sales of businesses or assets, payment of dividends, repurchases of our capital stock, making

loans or advances and certain other restrictions. The exceptions to the foregoing include capital expenditures of up to $20 million in any fiscal year and our right to repurchase up to $150 million of our outstanding capital stock, each subject to certain conditions set forth in the second amended and restated revolving credit and term loan agreement. The second amended and restated revolving credit and term loan agreement also contains customary events of default including, among others, payment defaults, breaches of covenants, bankruptcy and insolvency events, cross defaults with certain material indebtedness, judgment defaults, change of control and breaches of representations and warranties.

Future maturities of debt as of December 31, 2016 are as follows (in thousands):

Year Ended December 31,		
2017	$	10,000
2018		10,000
2019		42,500
	$	62,500

Debt Issuance Costs

Amortization of debt issuance costs was $0.4 million, $0.4 million and $0.4 million during the years ended December 31, 2016, 2015 and 2014, respectively.

8. Commitments and Contingencies

Operating Leases

We lease office space, including our corporate headquarters in Austin, Texas, under non-cancelable operating leases. Rent expense under these operating leases was $7.6 million, $6.1 million and $4.9 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Certain of these lease arrangements have renewal or expansion options and adjustments for market provisions, such as free or escalating base monthly rental payments. We recognize rent expense under such lease arrangements on a straight-line basis over the initial term of the lease. The difference between the straight-line expense and the cash paid for rent has been recorded as deferred rent.

We are responsible for paying our proportionate share of the actual operating expenses and real estate taxes under certain of these lease agreements. These operating expenses are not included in the table below. Future minimum lease payments, net of rent concessions, under non-cancelable operating leases (including rent escalation clauses) with terms in excess of one year as of December 31, 2016 are as follows (in thousands):

Year Ended December 31,		
2017	$	3,883
2018		3,876
2019		3,894
2020		4,121
2021		4,417
Thereafter		12,407
	$	32,598

Contractual Obligations

As of December 31, 2016, we had purchase obligations of approximately $3.3 million that primarily relate to contracts for non-cancellable services. The obligations are due and payable as follows (in thousands):

Year Ended December 31,		
2017	$	2,593
2018		560
2019		114
2020		39
	$	3,306

Legal Matters

From time to time, we may be involved in litigation relating to claims arising in the ordinary course of business. Management believes that there are no claims or actions pending or threatened against the Company, the ultimate disposition of which would have a material impact on our consolidated financial position, results of operations or cash flows.

Indemnification

In the normal course of business, to facilitate transactions related to our operations, we indemnify certain parties, including lessors, service providers and, from time to time, paid merchants and performance marketing networks with respect to certain matters. We have agreed to hold certain parties harmless against losses arising from a breach of representations or covenants, or other claims, including intellectual property infringement claims made against those certain parties by third parties. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. In addition, we have entered into indemnification agreements with our officers and directors, and our bylaws contain similar indemnification obligations.

9. Stockholders' Equity and Stock-Based Compensation

Common Stock

Our certificate of incorporation authorizes shares of stock as follows: 150,000,000 shares of Series 1 common stock, 6,107,494 shares of Series 2 common stock and 10,000,000 shares of preferred stock. The common and preferred stock have a par value of $0.001 per share. As of December 31, 2016 and 2015, 47,855,964 and 51,091,393 shares of Series 1 common stock were outstanding, respectively. In March 2014, the holders of all 6,107,494 shares of Series 2 common stock outstanding converted such shares into 6,107,494 fully paid and nonassessable shares of Series 1 common stock. As of both December 31, 2016 and 2015, zero shares of Series 2 common stock were outstanding.

Each share of common stock is entitled to one vote at all meetings of stockholders, except each share of Series 2 common stock is not entitled to vote in connection with the election of the members of our board of directors. The number of authorized shares of common stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of shares of capital stock of the Company representing a majority of the votes represented by all outstanding shares of capital stock of the Company entitled to vote. The holders of common stock are also entitled to receive dividends, when, if and as declared by our board of directors, whenever funds are legally available therefore, subject to the priority rights of any outstanding preferred stock.

Share Repurchase

In February 2015, our board of directors authorized a share repurchase program. Under the program, we were initially authorized to repurchase shares of Series 1 common stock for an aggregate purchase price not to exceed $100 million over a period of up to 24 months. In February 2016, our board of directors authorized an additional $50 million under the repurchase program, bringing the total amount of the program up to $150 million. The repurchase program is authorized through February 2017. During the year ended December 31, 2016, we repurchased 4,128,011 shares of Series 1 common stock at an aggregate purchase price of $36.8 million, and during the year ended December 31, 2015, we repurchased 4,323,000 shares of Series 1 common stock at an aggregate purchase price of $52.8 million.

Stock-Based Compensation

In July 2013, our board of directors and stockholders approved our 2013 Equity Incentive Plan (the “2013 Plan”) and our 2013 Employee Stock Purchase Plan (the “2013 Purchase Plan”). When the 2013 Plan took effect, all shares available for grant under our 2007 Stock Plan, as amended (the “2007 Plan”), were transferred into the share pool of the 2013 Plan. Subsequent to our initial public offering, we have not granted, and will not grant in the future, any additional awards under the 2007 Plan. However, the 2007 Plan will continue to govern the terms and conditions of all outstanding equity awards granted under the 2007 Plan.

In April 2016 in connection with our acquisition of GiftcardZen Inc, our board of directors approved the assumption of GiftcardZen Inc's existing 2012 Equity Incentive Plan (the "GCZ Plan") in accordance with NASDAQ Rule 5635, which provides that shares available under certain plans acquired in mergers or other acquisitions may be used for certain post-transaction grants of options or other equity awards.

2013 Employee Stock Purchase Plan

The rights to purchase common stock granted under the 2013 Purchase Plan are intended to be treated as either (i) purchase rights granted under an "employee stock purchase plan," as that term is defined in Section 423(b) of the Internal Revenue Code (the "423(b) Plan"), or (ii) purchase rights granted under an employee stock purchase plan that is not subject to the terms and conditions of Section 423(b) of the Internal Revenue Code (the "Non-423(b) Plan"). We will retain the discretion to grant purchase rights under either the 423(b) Plan or the Non-423(b) Plan. Eligible employees may purchase a limited number of shares of common stock at no less than 85% of the fair market value of a share of common stock at prescribed purchase intervals during an offering period. Each offering period will be comprised of a series of one or more successive and/or overlapping purchase intervals and has a maximum term of 24 months. During 2016, 2015 and 2014, we issued 260,950, 208,252 and 111,402 shares of common stock, respectively, under the 2013 Purchase Plan to our employees. The weighted-average fair value for purchase rights granted in 2016 under the 2013 Purchase Plan was $3.07 per share.

2013 Equity Incentive Plan

Under our 2013 Plan, the following awards types may be granted: stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares and units and other cash-based or stock-based awards. To date we have granted stock options, restricted stock units, performance stock options and performance restricted stock units. Restricted stock units represent rights to receive shares of our Series 1 common stock at a future date without payment of a purchase price. Holders of restricted stock units have no voting rights or rights to receive cash dividends unless and until shares of Series 1 common stock are issued in settlement of such awards. The compensation committee of our board of directors, or a committee appointed by the compensation committee, determines the term of the option, option price, number of shares for which each option and restricted stock unit is granted, whether restrictions will be imposed on the shares subject to the option or restricted stock unit, and the vesting period for each option and restricted stock unit. Awards granted under the 2013 Plan generally vest over four years. The term of each option is no more than ten years from grant date.

GiftcardZen Equity Incentive Plan

Under our GCZ Plan, the following awards types may be granted: stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares and units and other cash-based or stock-based awards. To date we have granted stock options and restricted stock units. Restricted stock units represent rights to receive shares of our Series 1 common stock at a future date without payment of a purchase price. Holders of restricted stock units have no voting rights or rights to receive cash dividends unless and until shares of Series 1 common stock are issued in settlement of such awards. The compensation committee of our board of directors, or a committee appointed by the compensation committee, determines the term of the option, option price, number of shares for which each option and restricted stock unit is granted, whether restrictions will be imposed on the shares subject to the option or restricted stock unit, and the vesting period for each option and restricted stock unit. Awards granted under the GCZ Plan generally vest over four years. The term of each option is no more than ten years from grant date.

2007 Stock Plan

Under the 2007 Plan, we granted stock options, including incentive stock options. Our board of directors determined the term of the option, option price, number of shares for which each option was granted, whether restrictions were imposed on the shares subject to the option, and the vesting period for each option. Generally, options become 25% vested after one year of service, with the remaining 75% vesting on a pro-rata basis over the remaining three years. The term of each option is ten years from grant date.

Stock-based compensation expense for all employee share-based payment awards is based upon the grant date fair value. We recognize compensation costs, net of estimated forfeitures, on a straight-line basis over the requisite service period of the award. Forfeiture rates are estimated at grant date based on historical experience and adjusted in subsequent periods for differences in actual forfeitures from our previous estimates. We recorded $26.2 million, $26.9 million and $24.5 million of stock-based compensation expense for the years ended December 31, 2016, 2015 and 2014, respectively. We include stock-based compensation expense in cost and expenses consistent with the classification of respective employees' cash compensation in the consolidated statements of operations.

The fair value of stock options granted during the years ended December 31, 2016, 2015 and 2014 was estimated on the grant date using the Black-Scholes-Merton option pricing model. Due to our short history as a public company, our expected volatility is based on a blended rate utilizing our historical volatility and the volatility of comparable publicly traded entities. The expected term represents the period of time the stock options are expected to be outstanding and is based on the "simplified method". We used the "simplified method" due to the lack of sufficient historical exercise data to provide a reasonable basis upon which to otherwise estimate the expected life of the stock options. The risk-free interest rate assumptions we use are based on observed market interest rates appropriate for the term of our stock options.

The fair value of our market-based performance stock options granted during the year ended December 31, 2016 was estimated on the grant date using a Monte Carlo simulation. The Monte Carlo simulation simulates the present value of the potential outcomes of our future stock prices and the future stock prices of the Russell 2000 Index, or Index, over the requisite performance period. The valuation is based on the risk-free rate of return, the volatilities of our stock price and the stock price of the Index, and the correlation of our stock price with the stock price of the Index.

The fair value of our restricted stock units granted during the year ended December 31, 2016 was estimated based on the fair market value of our stock on the grant date. The fair value of our performance restricted stock units granted during the year ended December 31, 2016 was estimated based on the fair market value of our stock on the grant date and the number of restricted stock units we expect to vest based on our estimate of the achievement of the underlying performance conditions.

The weighted-average assumptions for stock options valued using the Black-Scholes-Merton option pricing model are outlined in the following table:

	Year Ended December 31,		
	2016	**2015**	**2014**
Expected volatility	50.29%	50.62%	56.39%
Expected term (in years)	6	6	6
Risk-free rate of return	1.56%	1.76%	1.94%
Expected dividend yield	—	—	—

The weighted-average assumptions for performance awards valued using the Monte Carlo simulation are outlined in the following table:

	Year Ended December 31, 2016
Expected volatility	55.83%
Expected term (in years)	6
Risk-free rate of return	1.74%
Expected dividend yield	—

The following table summarizes the stock option activity of our 2007 Plan and 2013 Plan for the years ended December 31, 2016, 2015 and 2014:

Stock Options	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual (Years)	Aggregate Intrinsic Value (in thousands)	Weighted-Average Fair Value (per share)
Outstanding at December 31, 2013	5,694,823	$ 12.45	8.4	$ 94,474	$ 8.03
Granted	863,600	32.46			17.50
Exercised	(1,453,809)	8.00			5.31
Forfeited	(432,285)	19.36			11.53
Outstanding at December 31, 2014	4,672,329	$ 16.90	7.9	$ 15,799	$ 10.30
Granted	1,300,387	15.12			7.45
Exercised	(687,880)	8.53			6.31
Forfeited	(1,281,820)	21.99			12.64
Outstanding at December 31, 2015	4,003,016	$ 16.13	7.4	$ 5,625	$ 9.32
Granted	411,752	8.36			4.02
Exercised	(49,097)	5.62			3.79
Forfeited	(465,794)	19.83			11.03
Outstanding at December 31, 2016	3,899,877	$ 15.01	6.5	$ 5,228	$ 8.62
Vested at December 31, 2016 and expected to vest	3,674,552	$ 15.08	6.3	$ 5,149	
Exercisable at December 31, 2016	2,842,030	$ 14.89	5.9	$ 4,882	

The following table summarizes the performance stock option activity of our 2013 Plan for the year ended December 31, 2016:

Performance Stock Options	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual (Years)	Aggregate Intrinsic Value (in thousands)	Weighted-Average Fair Value (per share)
Outstanding at December 31, 2015	—	$ —	—	$ —	$ —
Granted	146,100	6.73			4.96
Exercised	—	—			—
Forfeited	(20,000)	6.53			4.82
Outstanding at December 31, 2016	126,100	$ 6.76	8.0	$ 320	$ 4.98
Vested at December 31, 2016 and expected to vest	90,643	$ 6.76	8.0	$ 230	
Exercisable at December 31, 2016	—	$ —	—	$ —	

The aggregate intrinsic value in the tables above represents the total pre-tax intrinsic value that would have been received by the option holders had all option holders exercised their options on December 31, 2016, 2015 and 2014, respectively. The aggregate intrinsic value is determined by the fair value of our common stock and the per-share grant price.

The following table summarizes the restricted stock unit activity of the 2013 Plan and GCZ Plan for the years ended December 31, 2016, 2015 and 2014:

Restricted Stock Units	Number of Shares	Weighted-Average Remaining Vesting Term (Years)	Aggregate Intrinsic Value (in thousands)	Weighted-Average Fair Value (per share)
Outstanding at December 31, 2013	54,079	3.7	$ 1,557	$ 31.86
Granted	1,621,593			30.35
Issued	(19,040)			29.80
Cancelled or Expired	(107,212)			37.19
Outstanding at December 31, 2014	1,549,420	1.8	$ 22,653	$ 29.94
Granted	2,901,042			14.87
Issued	(388,048)			30.25
Cancelled or Expired	(940,027)			21.55
Outstanding at December 31, 2015	3,122,387	1.7	$ 30,974	$ 18.42
Granted	2,715,331			9.26
Issued	(851,007)			18.87
Cancelled or Expired	(820,276)			14.66
Outstanding at December 31, 2016	4,166,435	1.6	$ 38,748	$ 13.08
Outstanding at December 31, 2016 and expected to vest	2,860,440	1.6	$ 26,602	

The following table summarizes the performance restricted stock unit activity of the 2013 Plan for the year ended December 31, 2016:

Performance Restricted Stock Units	Number of Shares	Weighted-Average Remaining Vesting Term (Years)	Aggregate Intrinsic Value (in thousands)	Weighted-Average Fair Value (per share)
Outstanding at December 31, 2015	—	—	$ —	$ —
Granted	660,000			6.56
Issued	—			—
Cancelled or Expired	(100,000)			6.53
Outstanding at December 31, 2016	560,000	1.3	$ 5,208	$ 6.56
Outstanding at December 31, 2016 and expected to vest	372,251	1.3	$ 3,462	

The following table summarizes additional stock option and restricted stock unit values (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Intrinsic value of stock options exercised	$ 180	$ 6,119	$ 39,641
Intrinsic value of restricted stock units that vested	6,969	5,552	310
Grant date fair value of stock options exercised	186	4,337	7,720
Grant date fair value of restricted stock units that vested	16,058	11,739	567

As of December 31, 2016, $35.2 million of total unrecognized compensation cost related to stock options and restricted stock units is expected to be recognized over a weighted-average period of 2.4 years. As of December 31, 2016, 3,762,338 shares of our Series 1 common stock were available for grant under the 2013 Plan and GCZ Plan.

As of December 31, 2016, we had reserved shares of common stock for future issuance as follows (in thousands):

2007 Stock Incentive Plan	1,909
2013 Stock Incentive Plan	10,503
GiftcardZen Equity Incentive Plan	711
2013 Employee Stock Purchase Plan	1,561
	14,684

10. Earnings Per Share

The rights of the holders of Series 1 and Series 2 common stock are identical, except with respect to voting. Each share of Series 1 and Series 2 common stock is entitled to one vote per share; however holders of Series 2 common stock are not entitled to vote in connection with the election of the members of our board of directors. Shares of Series 2 common stock may be converted into shares of Series 1 common stock at any time at the option of the stockholder. As of December 31, 2016, no shares of Series 2 common stock were outstanding.

The following table sets forth the computation of basic and diluted earnings per share of common stock (in thousands, except per share amounts):

	Year Ended December 31,		
	2016	**2015**	**2014**
Numerator			
Net income	$ 1,968	$ 11,848	$ 26,965
Denominator			
Weighted average common shares outstanding - basic	48,724	53,076	53,792
Dilutive effect of stock options, restricted stock units, and Employee Stock Purchase Plan shares	1,100	1,023	1,519
Weighted average common shares outstanding - diluted	49,824	54,099	55,311
Net income per share:			
Basic	$ 0.04	$ 0.22	$ 0.50
Diluted	$ 0.04	$ 0.22	$ 0.49

The following common equivalent shares were excluded from the diluted net income per share calculation, as their inclusion would have been anti-dilutive (in thousands):

	Year Ended December 31,		
	2016	**2015**	**2014**
Stock options	3,369	2,937	1,538
Restricted stock units	1,830	983	839
Employee Stock Purchase Plan shares	50	175	34
Total	5,249	4,095	2,411

11. Fair Value Measurements

Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. Generally accepted accounting principles set forth a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The three tiers are Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop our own assumptions.

Assets and liabilities measured at fair value on a recurring basis are summarized below (in thousands):

	Fair Value Measurements at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market deposit accounts	$ 150,147	$ —	$ —	$ 150,147

	Fair Value Measurements at December 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market deposit accounts	$ 160,566	$ —	$ —	$ 160,566
Foreign exchange contract	$ —	$ 19	$ —	$ 19

Money market deposit accounts are reported in our consolidated balance sheets as cash and cash equivalents and derivative instruments are reported in our consolidated balance sheets as either prepaid assets and other current assets, net or accrued expenses and other current liabilities.

The fair value of our derivative instruments has been determined using pricing models that take into account the underlying contract terms, as well as all applicable inputs, such as currency rates. We did not have any foreign exchange derivative instruments outstanding as of December 31, 2016.

Our other financial instruments consist primarily of accounts receivable, accounts payable, accrued liabilities and notes payable. The carrying value of these assets and liabilities approximate their respective fair values as of December 31, 2016 and 2015 due to the short-term maturities, or in the case of our long-term notes payable, based on the variable interest rate feature.

During 2016, we recorded a fair value adjustment to the carrying amount of internally developed software and website development costs related to certain projects, resulting in $0.8 million of impairment expense. See Note 5, "Property and Equipment, Net." Also during 2016, we recorded a fair value adjustment to the identified intangible assets associated with one of our websites, Bons-de-Reduction.com, resulting in $0.8 million of impairment expense. During 2015, we recorded a fair value adjustment to the identified intangible assets associated with one of our websites, Bons-de-Reduction.com, resulting in $2.3 million of impairment expense. See Note 4, "Goodwill and Other Intangible Assets." During 2014, no significant fair value adjustments were required for nonfinancial assets and liabilities.

12. Income Taxes

The components of pretax income for the years ended December 31, 2016, 2015 and 2014 were as follows (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Domestic	$ 2,605	$ 15,537	$ 37,671
Foreign	4,082	5,318	8,717
Total	$ 6,687	$ 20,855	$ 46,388

The components of the provision for income taxes attributable to continuing operations are as follows (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Current:			
Federal	$ 1,202	$ 4,666	$ 16,291
State	629	888	1,312
Foreign	3,179	4,302	5,989
Total current	5,010	9,856	23,592
Deferred:			
Federal	655	965	(3,090)
State	74	36	(384)
Foreign	(1,020)	(1,850)	(695)
Total deferred	(291)	(849)	(4,169)
Total provision for income taxes	$ 4,719	$ 9,007	$ 19,423

Cash paid for taxes, net of refunds, was $5.9 million, $12.3 million and $10.2 million during 2016, 2015 and 2014, respectively.

Our provision for income taxes attributable to continuing operations differs from the expected tax expense amount computed by applying the statutory federal income tax rate of 35% to income before income taxes as a result of the following (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Tax at U.S. statutory rate	$ 2,341	$ 7,299	$ 16,236
State tax provision, net of federal benefit	340	596	882
Stock-based compensation	1,031	1,134	661
Foreign tax rate differential	50	(775)	(2,734)
Research and development credits	(1,618)	(1,607)	(2,026)
Tax effects of corporate restructuring	558	825	3,475
Non-deductible expenses	2,281	1,044	1,640
Net increase in valuation allowance	631	525	999
Uncertain tax positions	(918)	430	112
Other	23	(464)	178
Income tax provision	$ 4,719	$ 9,007	$ 19,423

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of deferred taxes are as follows (in thousands):

	December 31, 2016	December 31, 2015
Deferred tax assets:		
Reserves and allowances	$ 2,900	$ 2,485
Tax carryforwards	3,383	1,524
Accrued expenses	1,597	1,296
Stock-based compensation	10,938	9,044
Deferred rent	1,624	1,277
Other	695	494
Total deferred tax assets	21,137	16,120
Deferred tax liabilities:		
Property and equipment	(5,946)	(4,954)
Intangibles	(13,118)	(9,475)
Other	(262)	(357)
Total deferred tax liabilities	(19,326)	(14,786)
Valuation allowance	(2,155)	(1,524)
Net deferred tax liability	$ (344)	$ (190)

In April 2016, we acquired GiftcardZen Inc. See Note 3, “Acquisitions”. A net deferred tax asset of approximately $0.3 million was recorded primarily related to federal and state net operating loss carryforwards, offset by acquired intangibles.

A valuation allowance is established if, based on the Company’s review of both positive and negative evidence, it is more likely than not that all or a portion of the deferred tax asset will not be realized. We recorded a valuation allowance of approximately $2.2 million and $1.5 million at December 31, 2016 and 2015, respectively, related to the uncertainty of the utilization of certain state research and development tax credit carryforwards.

As of December 31, 2016, we had federal and state net operating loss carryforwards of $3.2 million and $2.4 million respectively, as a result of the GiftcardZen Inc acquisition. These carryforwards expire between 2032 and 2035. We also had state research and development tax credit carryforwards of $2.3 million that expire between 2033 and 2036 if not utilized. As of December 31, 2016 and 2015, no provision has been made for U.S. income taxes and foreign withholding taxes related to undistributed earnings of our foreign subsidiaries of approximately $13.9 million and $13.4 million, respectively, as those earnings are considered to be permanently reinvested outside the United States. As of both December 31, 2016 and 2015, we did not have an unrecognized deferred tax liability related to undistributed earnings of our foreign subsidiaries, as we have incurred foreign taxes during our 2014 global corporate restructuring which, if repatriated, would generate foreign tax credits sufficient to reduce additional taxes on repatriated earnings.

The exercise of certain of our stock options results in taxable compensation, which is includable in the taxable income of the exercising option holder and which we can deduct from our taxable income for federal and state income tax purposes. Such compensation results from increases in the fair value of our common stock subsequent to the date of grant of the exercised stock options. Option-related excess tax benefits (tax deduction over cumulative book deduction) are recorded as an increase to additional paid-in capital, while option-related tax deficiencies (cumulative book deduction over tax deduction) are recorded as a decrease to additional paid-in capital to the extent of our additional paid-in capital option pool, then to the income tax provision. For the years ended December 31, 2016 and 2015, we recorded a decrease to additional paid-in capital of $3.8 million and $2.5 million, respectively. For the year ended December 31, 2014, we recorded an increase to additional paid-in capital of $11.1 million.

We follow the guidance on accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The aggregate changes in the balance of unrecognized tax benefits for the years ended December 31, 2016, 2015 and 2014 were as follows, excluding interest and penalties (in thousands):

Balance at December 31, 2013	$	1,230
Increases for tax positions related to the current year		2,269
Increases for tax positions related to prior years		513
Decreases for tax positions related to prior years		(73)
Lapses in statutes of limitations		(10)
Balance at December 31, 2014	$	3,929
Increases for tax positions related to the current year		387
Increases for tax positions related to prior years		113
Decreases for tax positions related to prior years		(704)
Lapses in statutes of limitations		(37)
Balance at December 31, 2015	$	3,688
Increases for tax positions related to the current year		93
Increases for tax positions related to prior years		190
Decreases for tax positions related to prior years		(1,021)
Settlements		(121)
Lapses in statutes of limitations		(80)
Balance at December 31, 2016	$	2,749

Included in the balance of unrecognized tax benefits at December 31, 2016 are $0.2 million of unrecognized tax benefits that are offset against related deferred tax assets for which a valuation allowance exists. If we were to recognize the unrecognized tax benefits, the benefit would be offset by a change in the valuation allowance and would not have an impact on the effective tax rate.

Our practice is to recognize interest and penalties related to unrecognized tax benefits as a component of income tax expense. In 2016, 2015 and 2014, we recognized interest and penalties of $0.2 million, $0.4 million, and $0.1 million, respectively, within income tax expense on our consolidated statements of operations. Amounts for interest and penalties accrued are included within the related tax liability line in the consolidated balances sheets and were $0.7 million and $0.8 million for the years ended December 31, 2016 and 2015, respectively.

We file U.S., state and foreign income tax returns in jurisdictions with varying statutes of limitations. As of December 31, 2016, in the United States, the tax years 2014 through 2016 remain open to examination in the federal jurisdiction. The Internal Revenue Service concluded an examination of our U.S. income tax return for the 2013 tax year in the fourth quarter of 2016. Additionally, the tax years 2013 through 2016 remain open to examination in most state jurisdictions and various foreign income tax returns are subject to examinations for years 2013 through 2016. For uncertain tax positions as of December 31, 2016, we do not anticipate that the total amounts of unrecognized tax benefits will significantly increase or decrease within the coming year.

As of December 31, 2016, the unamortized tax effects of corporate restructuring transactions of $0.5 million and $1.3 million are included within “Prepaids and other current assets, net" and “Other assets, net,” respectively, on the consolidated balance sheet. As of December 31, 2016, the estimated future amortization of the tax effects of corporate restructuring transactions to income tax expense is $0.5 million for 2017 and $1.3 million, cumulatively, for the years 2018 through 2020. These amounts exclude the benefits, if any, for tax deductions in other jurisdictions that we may be entitled to as a result of the related corporate restructuring transactions.

13. Domestic and Foreign Operations

The Company has operations in the U.S. and Europe. Information about these operations is presented below (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Net revenues:			
U.S.	$ 231,709	$ 195,788	$ 206,865
United Kingdom	33,206	36,358	36,752
Other International	15,506	16,969	21,066
Total net revenues	$ 280,421	$ 249,115	$ 264,683

	As of December 31,	
	2016	2015
Identifiable tangible long-lived assets:		
U.S.	$ 22,517	$ 19,356
United Kingdom	479	617
Other International	1,804	1,409
Total identifiable tangible long-lived assets	$ 24,800	$ 21,382

Net revenues attributed to the U.S. and international geographies are based upon the country in which the selling subsidiary of the Company is located.

Identifiable tangible long-lived assets attributed to the U.S. and international geographies are based upon the country in which the asset is located or owned.

14. Employee Benefit Plans

401(k) Plan

We have established a tax-qualified employee savings and retirement plan for all employees in the U.S. who satisfy certain eligibility requirements, including requirements relating to age and length of service. Under our 401(k) plan, employees may elect to reduce their current compensation by up to the statutory limit, $18,000 in 2016, $18,000 in 2015 and $17,500 in 2014, and have us contribute the amount of this reduction to the 401(k) plan. We currently match 50% - 100% of each employee's contributions up to a maximum of 6% of the employee's eligible earnings, but not exceeding $9,275 per employee. Our contributions for the years ended December 31, 2016, 2015 and 2014 were $1.6 million, $1.3 million and $1.3 million, respectively.

15. Segment Reporting

Our two reportable segments are Core and Gift Card. We added Gift Card as a reportable segment during the second quarter of 2016 to align with a change in how our CODM evaluates our overall business performance, concurrent with the April 5, 2016 purchase of GiftcardZen Inc, a secondary marketplace for gift cards. Our Gift Card segment consists of our marketplace for gift cards, and our Core segment consists of all other products and services that are related to our marketplace for digital offers.

Our CODM allocates resources and assesses performance of the business at the reportable segment level based primarily on net revenues and segment operating income (loss) for both segments and gross profit for our Gift Card segment. Segment operating income (loss) includes internally allocated costs of our information technology function. We do not allocate stock-based compensation expense, depreciation and amortization expense, third-party acquisition-related costs or other operating expenses to our segments, and these expenses are included in the Unallocated column in the reconciliations below. Our performance evaluation does not include segment assets.

The following tables present information by reportable operating segment, and a reconciliation of these amounts to our consolidated statements of operations, for 2016, 2015 and 2014 (in thousands):

	Year Ended December 31, 2016			
	Core	Gift Card	Unallocated	Total
Net revenues	$ 236,874	$ 43,547	$ —	$ 280,421
Cost of net revenues	18,426	40,922	2,163	61,511
Gross profit	218,448	2,625	(2,163)	218,910
Operating expenses:				
Product development	38,123	944	13,216	52,283
Sales and marketing	90,658	1,477	6,074	98,209
General and administrative	26,563	2,033	14,135	42,731
Amortization of purchased intangible assets	—	—	9,466	9,466
Other operating expenses	—	—	7,547	7,547
Total operating expenses	155,344	4,454	50,438	210,236
Income from operations	$ 63,104	$ (1,829)	$ (52,601)	$ 8,674

	Year Ended December 31, 2015			
	Core	Gift Card	Unallocated	Total
Net revenues	$ 249,115	$ —	$ —	$ 249,115
Cost of net revenues	17,170	—	2,734	19,904
Gross profit	231,945	—	(2,734)	229,211
Operating expenses:				
Product development	39,409	—	12,171	51,580
Sales and marketing	91,772	—	7,608	99,380
General and administrative	28,874	—	10,939	39,813
Amortization of purchased intangible assets	—	—	10,664	10,664
Other operating expenses	—	—	4,616	4,616
Total operating expenses	160,055	—	45,998	206,053
Income from operations	$ 71,890	$ —	$ (48,732)	$ 23,158

	Year Ended December 31, 2014			
	Core	Gift Card	Unallocated	Total
Net revenues	$ 264,683	$ —	$ —	$ 264,683
Cost of net revenues	16,313	—	2,304	18,617
Gross profit	248,370	—	(2,304)	246,066
Operating expenses:				
Product development	39,102	—	8,780	47,882
Sales and marketing	83,490	—	6,572	90,062
General and administrative	31,878	—	10,465	42,343
Amortization of purchased intangible assets	—	—	12,243	12,243
Other operating expenses	—	—	4,065	4,065
Total operating expenses	154,470	—	42,125	196,595
Income from operations	$ 93,900	$ —	$ (44,429)	$ 49,471

The following table presents information about the type of expenses included in the Unallocated column in the reconciliations above (in thousands):

	Year Ended December 31,		
	2016	2015	2014
Depreciation expense	$ 8,680	$ 6,467	$ 3,503
Stock-based compensation expense	26,181	26,894	24,518
Third party acquisition-related costs	727	91	100
Amortization of purchased intangible assets	9,466	10,664	12,243
Other operating expenses	7,547	4,616	4,065
Total Unallocated expenses	$ 52,601	$ 48,732	$ 44,429

16. Subsequent Events

In February 2017, our board of directors extended the authorization period for the share repurchase program through February 2018.

17. Selected Quarterly Financial Data (unaudited)

	For the Three Months Ended:							
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
	(in thousands, except per share amounts)							
Net revenues	$ 60,384	$ 53,180	$ 52,412	$ 83,139	$ 54,649	$ 64,250	$ 64,637	$ 96,885
Gross profit	55,038	48,004	47,901	78,268	49,449	49,345	46,396	73,720
Net income (loss)	4,059	(1,591)	343	9,037	(36)	(471)	114	2,361
Net income (loss) per share:								
Basic	$ 0.08	$ (0.03)	$ 0.01	$ 0.17	$ —	$ (0.01)	$ —	$ 0.05
Diluted	$ 0.07	$ (0.03)	$ 0.01	$ 0.17	$ —	$ (0.01)	$ —	$ 0.05
Weighted-average number of shares used in computing net income (loss) per share:								
Basic	54,029	53,482	53,037	51,782	49,188	48,828	48,683	48,202
Diluted	55,035	53,482	53,744	52,406	49,188	48,828	49,867	49,331

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
2.1	Asset Purchase Agreement for the purchase of RetailMeNot.com, dated November 24, 2010.	DRS	377-00145	2.1	April 5, 2013
2.2	Agreement Relating to the Sale and Purchase of the Entire Issued Share Capital of eConversions Limited, dated August 15, 2012.	DRS	377-00145	2.2	April 5, 2013
2.3	Agreement and Plan of Merger dated April 5, 2016 by and among the Registrant, Project Zen Acquisition Corp., GiftcardZen Inc, and Aaron Dragushan.	8-K	001-36005	2.1	April 7, 2016
3.1.1	Fifth Amended and Restated Certificate of Incorporation dated May 9, 2013.	DRS	377-00145	3.1.1	April 5, 2013
3.1.2	Certificate of Amendment to Fifth Amended and Restated Certificate of Incorporation, dated September 12, 2013.	DRS	377-00145	3.1.2	April 5, 2013
3.1.3	Second Certificate of Amendment to Fifth Amended and Restated Certificate of Incorporation, dated March 8, 2013.	DRS	377-00145	3.1.3	April 5, 2013
3.1.4	Third Certificate of Amendment to Fifth Amended and Restated Certificate of Incorporation, dated April 4, 2013.	DRS	377-00145	3.1.4	April 5, 2013
3.1.5	Fourth Certificate of Amendment to Fifth Amended and Restated Certificate of Incorporation, dated June 12, 2013.	S-1	333-189397	3.1.5	June 17, 2013
3.2	Form of Sixth Amended and Restated Certificate of Incorporation of the Registrant.	S-1/A	333-189397	3.2	July 8, 2013
3.3	Bylaws of the Registrant.	S-1/A	333-189397	3.4	July 8, 2013
4.1.1	Third Amended and Restated Investors' Rights Agreement dated October 28, 2012.	DRS	377-00145	4.1.1	April 5, 2013
4.1.2	Amendment to Third Amended and Restated Investors' Rights Agreement dated May 10, 2013.	DRS	377-00145	4.1.2	April 5, 2013
4.1.3	Second Amendment to Third Amended and Restated Investors' Rights Agreement and Waiver of Registration Rights dated December 6, 2013.	S-1/A	333-192632	4.1.3	December 9, 2013

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date
10.1	Form of Indemnification Agreement for directors and officers.	DRS/A	377-00145	10.1	May 13, 2013
10.2.1†	2007 Stock Plan and forms of agreement thereunder.	DRS/A	377-00145	10.2.1	May 13, 2013
10.2.2†	First Amendment to the 2007 Stock Plan.	DRS	377-00145	10.2.2	April 5, 2013
10.2.3†	Second Amendment to the 2007 Stock Plan.	DRS	377-00145	10.2.3	April 5, 2013
10.2.4†	Third Amendment to the 2007 Stock Plan.	DRS	377-00145	10.2.4	April 5, 2013
10.2.5†	Fourth Amendment to the 2007 Stock Plan.	DRS	377-00145	10.2.5	April 5, 2013
10.2.6†	Fifth Amendment to the 2007 Stock Plan.	DRS	377-00145	10.2.6	April 5, 2013
10.2.7†	Sixth Amendment to the 2007 Stock Plan.	DRS	377-00145	10.2.7	April 5, 2013
10.3†	Form of the Registrant's 2013 Bonus Plan for Officers dated May 22, 2013.	DRS	377-00145	10.3	April 5, 2013
10.4.1	Term Loan Agreement by and among Comerica Bank, as administrative agent for the lenders named therein, and the Registrant *et al*, dated November 24, 2010.	DRS	377-00145	10.4.1	April 5, 2013
10.4.2	First Amendment to Term Loan Agreement.	DRS	377-00145	10.4.2	April 5, 2013
10.4.3	Second Amendment to Term Loan Agreement.	DRS	377-00145	10.4.3	April 5, 2013
10.4.4	Third Amendment to Term Loan Agreement.	DRS	377-00145	10.4.4	April 5, 2013
10.4.5	Fourth Amendment to Term Loan Agreement.	DRS	377-00145	10.4.5	April 5, 2013
10.4.6	Fifth Amendment to Term Loan Agreement.	DRS	377-00145	10.4.6	April 5, 2013
10.4.7	Sixth Amendment to Term Loan Agreement.	DRS	377-00145	10.4.7	April 5, 2013
10.4.8	Amended and Restated Revolving Credit and Term Loan Agreement by and among Comerica Bank, as administrative agent for the lenders named therein, and the Registrant *et al*, dated July 1, 2013.	S-1/A	333-189397	10.4.8	July 18, 2013
10.4.8.1	First Amendment to Amended and Restated Revolving Credit and Term Loan Agreement, dated December 11, 2013.	S-1/A	333-192632	10.4.8.1	December 11, 2013
10.4.8.2	Second Amendment to Amended and Restated Revolving Credit and Term Loan Agreement, dated February 26, 2014.	8-K	001-36005	1.1	March 3, 2014
10.4.8.3	Second Amended and Restated Revolving Credit and Term Loan Agreement, dated December 23, 2014.	8-K	001-36005	1.1	December 29, 2014
10.4.8.4	First Amendment to Second Amended and Restated Revolving Credit and Term Loan Agreement dated May 26, 2016.	8-K	001-36005	1.1	May 27, 2016

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date
10.4.9	Security Agreement by and among Comerica Bank, as administrative agent for the lenders named therein, the Registrant, Spectrawide Acquisition Co., LLC, CSB Acquisition Co., LLC, CLTD Acquisition Co., LLC, Smallponds, LLC, Deals.com, LLC, RNOT, LLC and WSM CV, LLC, dated July 1, 2013.	S-1/A	333-189397	10.4.9	July 18, 2013
10.5	Intellectual Property Security Agreement by and among the Registrant, Comerica Bank, Spectrawide Acquisition Co., LLC, Spectrawide Inc., CSB Acquisition Co., LLC, CLTD Acquisition Co., LLC, Smallponds, LLC, Deals.com, LLC and RMN Acquisition Co., LLC, dated November 24, 2010.	DRS	377-00145	10.5	April 5, 2013
10.5.1	Intellectual Property Security Agreement by and among Comerica Bank, as administrative agent for the lenders named therein, the Registrant, Spectrawide Acquisition Co., LLC, CSB Acquisition Co., LLC, CLTD Acquisition Co., LLC, Smallponds, LLC, Deals.com, LLC, RNOT, LLC and WSM CV, LLC, dated July 1, 2013.	S-1/A	333-189397	10.5.1	July 18, 2013
10.6.1	Lease Agreement by and between the Registrant and NOP 301 Congress LP, dated May 24, 2012.	DRS	377-00145	10.6.1	April 5, 2013
10.6.2	Amendment No. 1 to Lease Agreement by and between the Registrant and NOP 301 Congress LP, dated November 14, 2012.	DRS	377-00145	10.6.2	April 5, 2013
10.6.3	Amendment No. 2 to Lease Agreement by and between the Registrant and NOP 301 Congress LP, dated November 9, 2013.	DRS	377-00145	10.6.3	April 5, 2013
10.6.4	Amendment No. 3 to Lease Agreement by and between the Registrant and NOP 301 Congress LP, dated January 21, 2013.	S-1/A	333-189397	10.6.4	July 16, 2013
10.6.5	Amendment No. 4 to Lease Agreement by and between the Registrant and NOP 301 Congress LP, dated August 19, 2015	8-K	001-36005	10.1	August 25, 2015
10.7.1	Counterpart Lease Agreement by and among Northburgh House Limited, eConversions Limited and RetailMeNot UK Ltd., dated June 24, 2012.	DRS	377-00145	10.7.1	April 5, 2013
10.7.2	Termination of Lease Agreement by and among Northburgh House Limited, eConversions Limited and RetailMeNot UK Ltd., dated February 1, 2013, and effective as of August 10, 2013.	DRS	377-00145	10.7.2	April 5, 2013
10.8.1	Underlease, dated 1/10/07, amongst Billingford Investments Limited, Braiseworth Investments Limited and Carlton Communications Limited, dated January 10, 2007.	DRS	377-00145	10.8.1	April 5, 2013
10.8.2	Agreement for the Assignment of the Underlease, between Carlton Communications Limited and the Registrant, dated March 11, 2013.	DRS	377-00145	10.8.2	April 5, 2013
10.9.1	Lease Agreement by and between MIWIMMO, Société Civile Immobilière (a real estate company) and MIWIM, Société à Responsabilité Limitée (a limited liability company), dated September 23, 2009.	DRS	377-00145	10.9.1	April 5, 2013
10.9.2	Amendment to Lease by and between MIWIMMO, Société Civile Immobilière (a real estate company) and MIWIM, Société à Responsabilité Limitée (a limited liability company), dated December 31, 2010.	DRS	377-00145	10.9.2	April 5, 2013

Table of Contents

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date
10.10†	Employment Agreement between the Registrant and G. Cotter Cunningham, dated effective as of March 1, 2013.	DRS	377-00145	10.10	April 5, 2013
10.10.1†	Amendment to Employment Agreement between the Registrant and G. Cotter Cunningham, dated May 1, 2016.	8-K	001-36005	10.1	May 3, 2016
10.11†	Employment Agreement between the Registrant and Kelli A. Beougher, dated effective as of March 1, 2013.	DRS	377-00145	10.11	April 5, 2013
10.12†	Employment Agreement between the Registrant and Paul M. Rogers, dated effective as of March 1, 2013.	DRS	377-00145	10.13	April 5, 2013
10.13†	Employment Agreement between the Registrant and Louis J. Agnese, III, dated effective as of March 1, 2013.	DRS	377-00145	10.14	April 5, 2013
10.13.1†	Amendment to Employment Agreement between the Registrant and Louis J. Agnese, III dated effective as of October 15, 2013.	S-1	333-192632	10.14.1	December 2, 2013
10.13.2†	Second Amendment to Employment Agreement between the Registrant and Louis J. Agnese, III dated effective as of February 13, 2013.	10-K	001-36005	10.14.2	February 18, 2014
10.14†	Employment Agreement between the Registrant and Jagjit S. Bath, dated effective as of March 1, 2013.	DRS	377-00145	10.15	April 5, 2013
10.15†	Employment Agreement between the Registrant and Jillian L. Balis, dated effective as of March 1, 2013.	DRS	377-00145	10.16	April 5, 2013
10.16	Commission Junction Publisher Service Agreement dated November 16, 2010, as assigned to RNOT, LLC pursuant to the Assignment and Assumption Amendment dated November 24, 2010.	DRS	377-00145	10.17	April 5, 2013
10.17	LinkShare Corporation Publisher Membership Agreement, as assigned to the Registrant and RNOT, LLC pursuant to the Consent to Assignment of Agreement dated November 24, 2010.	DRS	377-00145	10.18	April 5, 2013
10.18†	2013 Equity Incentive Plan.	S-1/A	333-189397	10.20	July 8, 2013
10.18.1†	Form of Global Performance-Based Stock Option Agreement under Registrant's 2013 Equity Incentive Plan.				
10.18.2†	Form of Global Performance-Based Restricted Stock Unit Award Agreement under Registrant's 2013 Equity Incentive Plan.				
10.19†	2013 Employee Stock Purchase Plan.	S-1/A	333-189397	10.21	July 8, 2013

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date
10.20†	Board Offer Letter between the Registrant and Brian H. Sharples, dated as of July 11, 2012.	DRS/A	377-00145	10.22	May 13, 2013
10.21†	Board Offer Letter between the Registrant and Greg J. Santora, dated as of April 24, 2013.	DRS/A	377-00145	10.23	May 13, 2013
10.22†	Employment Agreement between the Registrant and Steven T. Pho, dated effective as of March 1, 2013.	S-1	333-192632	10.24	December 2, 2013
10.22.1†	Amendment to Employment Agreement between the Registrant and Steven T. Pho, dated effective as of October 15, 2013.	S-1	333-192632	10.24.1	December 2, 2013
10.22.2†	Second Amendment to Employment Agreement between Registrant and Steven T. Pho, dated effective as of February 13, 2013.	10-K	001-36005	10.23.2	February 18, 2014
10.23†	Employment Agreement between the Registrant and Jonathan B. Kaplan, dated effective as of August 7, 2015.	10-Q	001-36005	10.2	November 6, 2015
10.24†	Employment Agreement between the Registrant and J. Scott Di Valerio, dated effective as of December 29, 2015.	8-K	001-36005	10.1	January 4, 2016
10.25†	Board Offer Letter between the Registrant and Gokul Rajaram, dated as of September 13, 2013.	10-K	001-36005	10.24	February 18, 2014
10.26†	Board Offer Letter between the Registrant and Eric Korman, dated as of August 8, 2014.	10-K	001-36005	10.27	February 25, 2015
10.27†	RetailMeNot, Inc. 2013 Bonus Plan (Director Level & Up).	10-K	001-36005	10.25	February 18, 2014
10.28†	RetailMeNot, Inc. 2014 Bonus Plan.	8-K	001-36005	10.1	February 18, 2014
10.29†	RetailMeNot, Inc. 2015 Bonus Plan.	8-K	001-36005	10.1	February 10, 2015
10.30†	Employment Agreement between the Registrant and Marissa Tarleton, dated effective as of October 5, 2015	10-K	001-36005	10.30	February 19, 2016
10.31†	Employment Agreement between the Registrant and Michael Magaro, dated effective as of November 1, 2015	10-K	001-36005	10.31	February 19, 2016
10.32†	Board Offer Letter between the Registrant and Tamar Yehoshua, dated as of December 7, 2015	10-K	001-36005	10.32	February 19, 2016
10.33†	RetailMeNot, Inc. 2016 Bonus Plan.	8-K	001-36005	10.1	February 17, 2016
10.33.1†	RetailMeNot, Inc. Amended and Restated 2016 Bonus Plan.	8-K	001-36005	10.1	July 12, 2016
10.34†	RetailMeNot, Inc. 2017 Bonus Plan.	8-K	001-36005	10.1	February 14, 2017
14.1	Code of Business Conduct and Ethics.	10-K	001-36005	14.1	February 19, 2016
21.1	List of Subsidiaries of the Registrant.				
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.				
24.1	Power of Attorney (see page 73 of this Annual Report on Form 10-K).				

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
31.1	Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of The Sarbanes-Oxley Act of 2002.				
31.2	Certification of Principal Financial Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of The Sarbanes-Oxley Act of 2002.				
32.1	Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350 as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.				
32.2	Certification of Principal Financial Officer Required under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350 as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.				
101.INS	XBRL Instance Document.				
101.SCH	XBRL Taxonomy Extension Schema.				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.				
101.LAB	XBRL Taxonomy Extension Label Linkbase.				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.				
101.DEF	XBRL Taxonomy Extension Definition Linkbase.				

† Management contract, compensatory plan or arrangement.

EXHIBIT F

HEARD ON THE STREET

RetailMeNot Is a Click Too Far for Investors

By Miriam Gottfried

July 6, 2014 4:56 p.m. ET

Imagine you own a sandwich shop and want to bring in new customers. You recruit five assistants and give them coupons to distribute, promising to give each credit for sales they generate. Four patrol the neighborhood, distributing coupons door to door. The fifth sits right outside the store, handing them to customers as they walk in.

Predicting who will get the most sales isn't rocket science. But how much value is that fifth assistant actually providing?

Enter RetailMeNot , often the one right outside an e-retailer's virtual doors. An online marketplace for coupons, RetailMeNot generates the vast majority of its sales from commissions on online transactions on which it receives "last-click attribution." That is when its site is the last place a shopper clicks before making a purchase. For this, it gets an average commission of between 5% and 6% of the sale amount, a rate the company says it has maintained since it acquired its website in 2010.

But RetailMeNot sits in what seems like an increasingly precarious position. On one side, retailers may gradually be adopting more sophisticated attribution metrics that focus on evaluating where a referrer appears in the purchase process. On the other, RetailMeNot, which got roughly 65% of its traffic from search in the first quarter, is vulnerable to the whims of Google .

When Google began rolling out the latest update to its algorithm on May 20, initial reports suggested RetailMeNot was among the biggest losers. Its stock fell nearly 18% between May 21 and May 23. The company said the reports "greatly overstate" the impact of the update.

Still, RetailMeNot's search-engine optimization visibility—a measure of how likely a website is to be found using certain keywords—fell 48% between May 18 and May 25, according to Searchmetrics, a provider of search-analytics software. It remained 37% below May 18 levels as of June 22. This metric isn't a proxy for traffic, but some effect from Google's change seems inevitable.

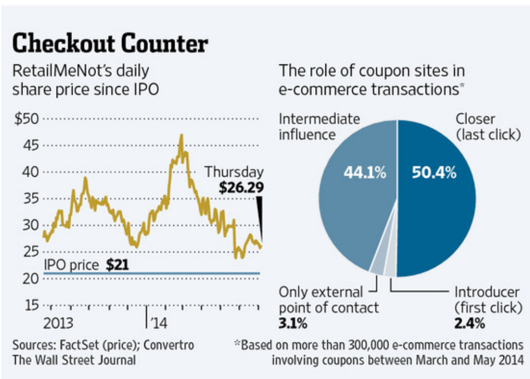
Moreover, retailers may have good reason to move away from last-click attribution, or cut the commissions they pay to coupon sites. Nine-tenths of buyers attributed to RetailMeNot had already been on a retailer's website within 30 minutes of visiting the coupon site, according to a study of 13 retailers' sites conducted by e-commerce analytics firm TellApart between Oct. 1, 2013 and Feb. 20, 2014. Half of buyers attributed to the coupon site already had begun the purchase process by visiting the retailer's online shopping cart before visiting RetailMeNot.

This suggests shoppers were checking out and saw the box labeled "coupon code," prompting them to search for one. Indeed, coupon sites were the "closer," or last click, 50.4% of the time, according to a study by marketing-attribution tracker Convertro. That study, which tracked more than 300,000 e-commerce transactions involving coupons between March and May, found coupon sites were the introducer only 2.4% of the time.

Granted, coupons may be valuable in curbing so-called shopping-cart abandonment, in which consumers give up on purchases once they see the total. Shoppers abandon carts after putting something into them 56% of the time, according to Forrester Research. And depending on a retailer's customer base, it can be risky to abandon coupons—just ask J.C. Penney . RetailMeNot says its own studies, involving exclusive offers from specific retailers, have had a measurable effect on generating new customers.

Still, in most cases it isn't clear how often coupons are a factor in convincing customers to make a purchase or whether that is worth 5%. And there are ways retailers can be choosier about when they pay. For example, home-furnishing site Wayfair recently sent a letter to affiliates saying it was modifying its commission structure to pay a flat 5% fee to sites that deliver the final click before customers add the first item to their carts.

RetailMeNot's stock is down 21% the past three months but it is still valued at 10.9 times 2015 earnings before interest, taxes, depreciation and amortization against 8.7 times for Groupon . For investors, RetailMeNot is no bargain.



Write to Miriam Gottfried at Miriam.Gottfried@wsj.com

EXHIBIT G

EARNINGS

RetailMeNot Swings to a Loss, Cuts Guidance

Shares plunge 34% and touch an all-time low in morning trading

By Lisa Beilfuss

Updated Aug. 5, 2015 11:48 a.m. ET

Online coupon site RetailMeNot Inc. swung to an unexpected loss in its second quarter, hurt by weakness in search traffic.

Shares plunged 34% and touched an all-time low in morning trading.

The Austin-based company, which went public two years ago, aggregates retailers' digital coupons, posts them on its website and smartphone application and then collects commissions from retailers based on purchases.

"Weakness in organic search, which began in late May, negatively impacted both our desktop and mobile web traffic resulting in disappointing overall results," Chief Executive Cotter Cunningham said in Wednesday's news release.

On a call with analysts, Mr. Cunningham said the drop in traffic was "due to algorithmic changes affecting our search ranking, similar to what we experienced about a year ago." The CEO said there has been a "sort of disruption" in a portion of the keywords the company tracks.

As a result, the company also slashed its full-year outlook and issued downbeat guidance for the current quarter.

While mobile online transaction net revenue grew 91% over the period, growth decelerated from the prior quarter and online transactions accounted for just 9% of revenue.

Meanwhile, desktop online transaction revenue—which includes tablets and represents the bulk of the company's top line—continued to deteriorate. Revenue from desktop online transactions dropped 25% in latest quarter, on the heels of a 14% decline a quarter earlier.

Visitors to the site rose, but at a slower rate than in the first quarter. Total visits increased 6% to 164 million, while monthly mobile unique visitors totaled 18.4 million, up 44% from a year earlier.

On the earnings call, Mr. Cotter said desktop web traffic declined a much worse-than-expected 16%.

Overall, the company reported a loss of $1.6 million, down from a profit of $4.3 million a year earlier. On a per-share basis, RetailMeNot reported a loss of 3 cents versus a profit of 8 cents in last year's quarter.

Excluding certain items, earnings per share fell to 9 cents from 21 cents. Revenue declined 11% to $53.2 million

Analysts polled by Thomson Reuters expected 14 cents in earnings per share. The company had projected $57 million to $60 million in revenue.

For the full year, the company now expects to book $231 million to $239 million in revenue, down from its earlier guidance of $275 million to $285 million. Adjusted Ebitda—earnings before interest, taxes, depreciation and amortization, a profitability measure that approximates for cash flow—will be between $56 million and $64 million, down sharply from an earlier projection of $92 million to $100 million.

RetailMeNot said it expects $47.5 million to $50 million in third-quarter revenue and $5 to $7 million in adjusted Ebitda, far short of the $69.9 million in revenue and $19.1 million in Ebitda analysts anticipated.

“We clearly aren’t moving fast enough and we remain susceptible to the ongoing volatility of organic search results,” Mr. Cotter said.

Write to Lisa Beilfuss at lisa.beilfuss@wsj.com